THE OUTLOOK

Railroad Conditions More Favorable—The Effect of Lower Discount Rates—Tax-Free Bonds a Serious Problem—Congress Meets Again—The Market Prospect

SHIFTING of business sentiment toward a more cheerful view of the outlook is based on a few concrete instances of improvement such as the better railroad condition, larger movement of iron and steel, heavy shipments of grain, generally lower trend of money rates in conjunction with the greater supply of funds, and finally a somewhat more active and rising stock market.

These factors, of course, are all favorable and that they should be reflected in the better business sentiment is natural. However, it is hardly likely that improvement can be anything but very gradual, if indeed, it is not attended by many setbacks. There are still many disturbing features in the general situation and they will continue to exert their effect. Nevertheless conditions are somewhat better today than at the end of last winter and will probably continue to improve at least during the autumn months.

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RAILWAY FINANCE

FURTHER progress has been made toward the financing of the railways. Not only has President Harding reasserted his intention to have Congress, which is now again in session, pass the railroad funding bill, but he has apparently secured the support necessary to get congressional action. Meanwhile, the Government itself has found better response than had been expected among bankers for its offerings of car trust certificates on a 6% basis. This is the lowest rate that railroad securities have commanded for a good while past, and, while there are some special features in connection with this issue of certificates, which give them a rather peculiar position, *it is decided evidence of improvement in railroad credit that even the best can be marketed, as things stand, at 6%.*

Further development of the railroad consolidation plan has been undertaken by the Interstate Commerce Commission, which is now said to be in the last stages of a consideration of the scheme developed by Professor Ripley of Harvard. It will be a long time before any such scheme goes into effect, even on the quickest schedule, since hearings must be held, much work must be done, and eventually an agreement arrived at among the various interests involved in any particular road before a consolidation plan could be acted upon. Brokers, however, foresee a beneficial speculative influence even in the tentative announcement of the consolidation scheme.

A more solid and constructive factor is found in the continuous enlargement of railroad earnings which have steadily progressed toward a condition approximating that of pre-war times. Within the past week or ten days, moveover, increased movements of freight have necessitated an enlargement of personnel with corresponding reduction of unemployment among railroad labor.

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LOWER DISCOUNT RATES

THE action of the Federal Reserve Bank of New York in reducing its discount rate to 5% has been expected for some time past and may be followed by similar action in other districts. How many districts will thus follow suit remains to be seen, but there are several in which such action is certainly not favored by local bankers and is hardly warranted in any case. Whether it is warranted in the New York district is already a subject of rather sharp discussion. Certainly it was fully warranted if judgment be based upon the reserve holding of the bank. On the other hand, the danger of increased inflation is imminent throughout the whole country, and is greatly aggravated by the presence of so excessive a gold stock as is now on hand in the banks in general.

There is no doubt that an expansion of credit corresponding to the growth of reserves would be disastrous in bringing on a new era of artificial prices. On the other hand, it would seem that there is much reason to question the effectiveness of this reduction in reserve rates. But little influence can be exerted by it on the market, save as a result of reduction of their rates by commercial banks. This situation is clearly evident in the West, where the public has been demanding low rates at reserve banks without recognizing that local banks are charging 10% while the reserve rate is already down to 6%. In the Eastern states, the rank and file of bankers are apparently disposed not to inaugurate a fresh campaign of inflation. This makes it doubtful whether the reduction in rates will do more than enable the borrowing banks to pare off a profit on their discounts.

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TAX FREE BONDS

DURING the past two weeks the Secretary of the Treasury has sold $600,000,000 of tax free notes and certificates of the Government of the United States. At the same time, the joint stock land banks have prepared the way for a large issue of tax free issues and have begun offering them. Secretary of Labor Davis estimates that there is about $500,000,000 of municipal and state bonds (tax free) ready for distribution throughout the United States. It is true that some portion of these great issues (as in the case of the Treasury certificates) takes the place of outstanding securities which have matured and for which funds have to be supplied. Nevertheless the fact remains that the issues have been and are being made, and that even when they replace others which are funded into them, they nevertheless continue to take the place of industrial bonds subject to taxation which might otherwise compete with them.

A large portion of the bonds referred to consists, moreover, of new offerings which actually take the place, and hence prevent the sale, of private securities that would otherwise appeal to investors. It is unfortunate that there should be any such great and continuous issues of Government bonds for any purpose, but it is more than regrettable that they should be sold on a tax free basis, which gives them a status against which other securities cannot compete.

The tax free bond problem has already become an exceedingly serious question from the standpoint of taxation; It is today a growingly difficult matter from the standpoint of investment. The situation created by it is one which must be corrected, if there is to be any satisfactory return to a state of things in which private business enterprise has at least a fighting chance to equip itself with the capital it needs.

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REASSEMBLING OF CONGRESS

THE reassembling of Congress after a month's holiday finds Federal problems very much as they were at the date of adjournment. Conditions have not improved or simplified themselves materially during the recess. About all that has been accomplished in committee work has been the completion of a tax measure by the Senate Finance Committee which is now ready to be discussed by the Upper Chamber. How long it will take to pass this measure must be regarded as doubtful. By a show of party strength, it would perhaps be possible to secure adoption with but little delay. But the use of such measures of compulsion is open to serious question as a matter of wisdom.

There is a strong group in both Houses which is antagonistic to the application of drastic administrative control, besides being hostile to any very great revision of existing tax systems. In these circumstances, it may be found the wisest course to allow discussion to drag somewhat, and thus to wear itself out. Should that plan be followed, it may well be doubted whether very much more would be done during the extraordinary session of Congress than to adopt the tax revision measure. This would push tariff action over into the coming winter,—a probability which has for some time past been foreseen, and which will be regretted by but few. The railroad funding bill has certainly a chance of enactment, especially in view of the vigorous support which President Harding's Administration is giving to it.

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MODIFYING THE TAX BILL

THE new tax bill as agreed upon by the Senate Committee contains two important features. One is the increase in the ordinary rate of tax upon corporation incomes to 15% as against the rate of 12% fixed by the House. The other is the determination to postpone the repeal of the excess profits tax until the first of January, 1922. Neither change is satisfactory to the business community, and neither is in line with the promises that have been made in the past by the Republican party managers.

The retention of the excess profits tax and of the higher brackets of the income tax for an additional year is in opposition to the distinct pledges made during the campaign, while the enlargement of the rate of the ordinary corporation income tax simply spreads out the burden now represented by the excess profits tax over a larger area during the period subsequent to the date when the repeal of the excess profits tax becomes effective.

* * *

MARKET PROSPECT

THE majority of developments continue to be along constructive lines, and with the market still at a comparatively low level, the investor who buys sound securities and exercises patience should eventually be rewarded.

The improvement in the rails is welcome, but great caution must be exercised in this group, as many comparatively good statements are being made at the expense of maintenance.

Numerous attempts to depress prices are occasionally meeting with success, and this is to be expected in a period like the present when the change from depression to prosperity is likely to be in waves and somewhat seasonal.

The Effect of Passed Dividends on Security Values

More Than Half the Leading Companies Have Suspended or Reduced Payments

***By* E. D. KING**

THIS discussion relates to only one phase of the security situation, namely, the effect which the passing and curtailment of dividends has had on various groups of stock issues listed on the New York Stock Exchange. A cursory examination of the stock market column in the daily newspaper reveals the fact that some very striking changes have taken place in the relationship between groups of securities as compared with that existing in the spring of 1920. While it is true that some groups of stocks, particularly the sugars and the metal issues, have declined more, proportionally, than others, the fact is that with only one exception—the public utilities—the changed dividend situation has resulted disastrously so far as the market price of all issues involved are concerned.

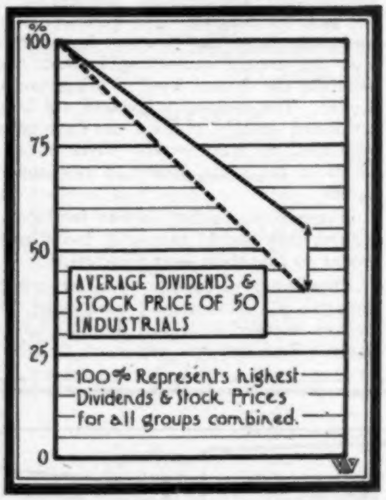
The question as to how far the market has discounted the passing and curtailment of dividends, those which have already passed into limbo and those which are likely to follow, can only be determined by a specific analysis of each group, its position and prospects, and then by an analysis of the particular company within each group, with special reference to its position in the industry, its earning power, character of management, and finances, etc. This will be attempted in the section which deals with each individual group.

There, are, however, several interesting conclusions to be drawn on the general market from the facts available. **Of salient importance is the fact that out of the fifty leading companies listed in the attached table seventeen companies have entirely suspended their dividend rates on at least their junior issues and eleven have made reductions.** The only actual instance of an increase is American Tel. & Tel., which advanced the annual rate from $8 to $9 a share, the Pacific Oil disbursement being of no practical importance in this discussion on account of the recent formation of the company. **In other words, out of fifty important companies over half have either suspended or reduced their dividend rates, with only one instance of an increase.** The effects of the industrial depression are plainly apparent in these figures.

Stock Market Position

When the stock market position of these groups of securities is analyzed there are even more interesting conclusions to be derived. Thus, while measured in terms of percentage of the highest rate of dividends paid on the average in the early part of 1920, which is assumed to be 100%, the rate of disbursement equals 56%. In other words the amount of dividends now being paid with regard to these fifty companies is 56% of the highest amount paid by them last year. Yet the respective issues are now selling at only 40% of the highest market price attained by them in the Spring of 1920. The conclusion is apparent that, with reference to the actual passing and cutting of dividends in the past year and a half, the market has more than discounted this situation, even at the higher market prices now prevailing as compared with those of several months ago. **A comparison of these figures (see graph) which show an average rate of disbursement of 56% as compared with 100% last year and a stock market average of 40% as compared with 100%, indicates that stocks have discounted the situation by an excess of about 16%.**

Of course, there is another factor to be estimated in the situation and that is that the market generally looks forward. Judging by the discrepancy between the decline in dividend payments and the decline in the market price of securities, it is evident that it is "the conclusion of the stock market," to give it a personal character, that there is still some distance to go before we have reached the end of the period of dividend abolition or curtailment.



From the facts at hand, conditions would seem to favor such a conclusion. Certain companies, which will later be alluded to specifically are on the ragged edge with regard to their dividend payments and unless there is a marked and early change in the general business situation, it is altogether likely that these companies will be compelled to take drastic action.

In that case, will the situation be offset by the resumption of dividends in instances where these have already been passed? This is a possibility, of course, and in fact there have already been a few instances of resumption of dividends in the past few months but these are not particularly significant on account of the relative unimportance of the companies involved. **Careful scrutiny of the general economic situation and analysis of the condition of the various industries results in the conclusion that there is nothing to indicate that the companies which have passed or cut their dividend rates will be in a position to resume payments for a very considerable period.**

The copper and sugar issues are excellent illustrations of this situation. Even the most generous estimate for these industries does not validate any conclusion other than that their period of adjustment is still incomplete and that consequently the companies engaged in these industries must steer a careful course. Certainly it would be the height of folly for them, under present conditions, to resume their dividend payments.

The Cheapest Stocks

It is not always true that the stocks which have fallen the furthest are the cheapest. Thus, the sugars which have fallen to only 26% of their highest price last year have practically, without exception, discontinued dividends. On the other hand, the equipments have fallen the least, selling at about 73% of their highest values, but they are still paying dividends at practically the highest rate. In fact, it would seem, despite the apparent discrepancy of the figures, that the equipments are relatively cheaper than the sugars. However, there is another angle to this and that is simply the fact that while possibly the equipment companies have reached or nearly reached their highest point of earnings, at least during the immediate future, the sugar issues have certainly seen the worst, at least the industry is in about as bad shape as it can possibly be so that any conceivable change should naturally be for the better. So finally we have come to the conclusion that the sugars after all may be a better purchase than the equipments despite the fact that the latter are all prosperous and paying the highest rate of dividends, whereas the former are all in the doldrums and can't tell from day to day what is going to happen to them. Such, however, are the ironic jests of the stock market. The best may be the worst and the worst the best. It all depends on the viewpoint.

It would be unfortunate and misleading in this instance to view the market as a whole. While it is true that for certain periods it moves as a whole in one direction, it is also true that Time inexorably causes profound changes in the interrelationship between the groups within the market. There was a time last year when practically every group, with the exception of the public utilities, sold at their highest prices almost simultaneously. With the market practically at a 50% valuation as compared with the highest

figures last year it would naturally be assumed that each group would now be at a 50% valuation. But this certainly has not been the case. What has happened has been that some groups have declined much further than others and one group, the public utilities, has advanced against the general trend. The groups which have suffered the most, in their order, are as follows: Sugars, tires and motors, mining and metals, chemicals, oils, tobacco, steels and manufacturing. Those which have suffered least are the public utilities and equipments.

From a reverse viewpoint, it is possible that the greatest speculative opportunities are to be found not in the groups which have suffered the least in the stock market but in those which have declined the most. Thus, the sugars, motors and metals possibly offer greater stock market opportunities than the public utilities or equipments regardless of the fact that the latter are in an infinitely superior position. This paradox, however, can be explained on the ground that the stock market looks forward and that with any sign of sustained improvement in the industries mentioned the stock market recovery is likely to be very large. The market works both ways: it goes down very rapidly but it can also go up rapidly. Obviously stocks which have declined the most have the best chance of going up the furthest.

The following groups contain all the leading factors in the respective industries. Factors on which conclusions have been based are, in the order of their importance: present and probable early future conditions, the financial position of the company, the character of its management, and its earning power in a normal period, say, as in the period 1909-1914. It is only fair to point out that these conclusions at best are only tentative and should be modified by conditions as they occur. Still, with due modesty, the writer feels that they give a fair enough picture of the situation and that they should be of some service to investors. Obviously, there has been no room in these articles for anything but the conclusions which are derived from the conditions stated above.

Sugars

	1920 dividends	Present cash rate	Dividend prospects
Amer. Sugar...	$10.00	none	poor
Amer. Beet	8.00	none	poor
Cuban-Amer. ...	6.50	none	poor
Punta Alegre ..	11.50	none	poor

The important sugar companies whose shares are listed on the New York Stock Exchange have, without exception, abolished dividend payments on their junior shares. These companies include: American Sugar Refining, American Beet Sugar, Cuban-American Sugar and Punta Alegre.

It is not likely that these companies will be in a position to resume payments on their common shares for a long period. The sugar situation is nothing if not critical and the near-by prospect does not look encouraging. The Cuban crop is extremely large and it seems improbable that the present controlling interest can maintain the current level of prices much longer. The companies involved are in a weakened financial position and have been compelled to incur severe losses on account of the great decline in raw sugar prices.

However, as leading factors in the industry, they should command credit sufficient to tide them over this period.

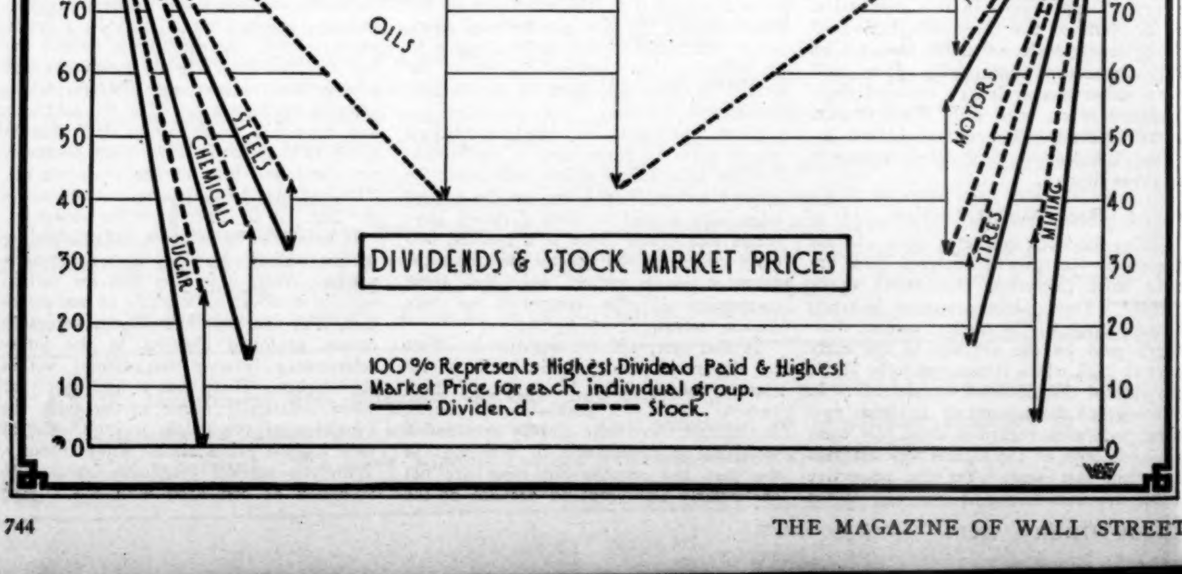
Eventually, of course, this important industry will make some recovery and the factors engaged in it will benefit accordingly. The question arises as to when such recovery can reasonably be expected. This will depend primarily on the size of the next world crop. Should it be considerably smaller than the last one, and this is likely to be the case, if for no other reason than that the straightened condition of the planters forbids extensive plantation work, the possibilities are that next Spring or so will see a rather important advance in the price of this commodity. In that case, of course, there will be an immediate reflection in the shares of these companies.

Possibly the company in the best position of all is American Beet Sugar but even here conditions do not warrant the belief that immediate dividend resumption on the common stock is at all likely.

Manufacturing Stocks

	1920 dividends	Present cash rate	Dividend prospects
Allis-Chalmers	$4.00	$4.00	fair
American Can	—	—	uncertain
National Enameling.	6.00	6.00	poor
Westinghouse	4.00	4.00	fair
Worthington	6.00	6.00	poor

The leading manufacturing issues have the unique record of being the only group on the New York Stock Exchange which have thus far escaped abolition or curtailment of dividends. A glance at the large chart will indicate that the rate of disbursement is still 100% as compared with the highest paid. However, all is not rosy in this industry. While there have been no changes in the dividend rates as yet there are several instances, at least, where such action may be considered possible, if not likely. Of the five companies in the attached table not one is in an impregnable position with regard to dividends. In other words, there is a possi-



-lity of dividend change in four out of five of these companies. American Can, of course, is not subject to such change for the reason that no dividends are being or have been paid. The rate on National Enameling and Worthington Pump looks uncertain, as reflected by the market price of these stocks. Allis-Chalmers and Westinghouse, however, can probably continue to maintain the present rate although even this is not to be expected if conditions do not improve appreciably within the next six months.

Public Utilities

	1920 divi-dends	Present cash rate	Dividend prospects
Amer. Tel.	$8.00	$9.00	very good
Consolidated Gas	7.00	7.00	very good
Pacific Gas	5.00	5.00	good
People's Gas	none	none	uncertain
Western Union	7.00	7.00	fair

These companies are almost uniformly in a strong position, particularly the light, power, telephone and gas companies. The traction systems are still hard hit and have not come out of the woods yet, for the most part.

Factors operating on the public utility situation are the declining operating costs and the higher rates which have been permitted. For the past two years or so conditions have been slowly improving and both gross and net earnings have shown a material appreciation. It is quite possible, as in the case of Peoples Gas, that conditions may result in the resumption of dividend payments on the part of companies which have been compelled to suspend disbursement in the period when the public utilities were laboring under what seemed insurmountable difficulties.

All of the companies, with the possible exception of Western Union, are in a strong position and should continue at least their present rates. Western Union has had to do some financing recently, which explains the attitude of the writer on the stock, but even here conditions have not reached the point where drastic dividend action is imperative.

Automobile Companies

	1920 divi-dends	Present cash rate	Dividend prospects
Chandler	$9.50	$6.00	uncertain
General Motors	1.00*	1.00*	uncertain
Studebaker	7.00	7.00	good
Pierce-Arrow	none	none	poor
White Motors	4.00	4.00	fair

* Add stock dividend of 1/10 of one share.

Dividends on this class of stock, particularly with reference to the leading issues, have been well maintained. In fact the automobile industry this year has done surprisingly well. The volume of sales has been large and good interest has been maintained by the leading makers of passenger automobiles. Truck makers, on the contrary, have sunk more deeply into the mire on account of the lethargic character of their market.

Several of the makers, especially Studebaker, report very large earnings. However, during the past month or so the prices on many cars have been cut and, speaking generally, the volume of sales has declined so that the trend of earnings for the balance of the year should be downward.

There are several companies whose dividend position is not beyond reproach. Among them are Chandler and General Motors. White, too, does not appear too sure of its dividend, although hopes are held out for the truck industry next year. The strongest of any is Studebaker, while Pierce-Arrow is a hopeless prospect so far as dividends are concerned, at least within a year or so.

Chemicals

	1920 divi-dends	Present cash rate	Dividend prospects
Allied Chemical	none	$4.00	fair
Amer. Agr. Chem.	$8.00	none	poor
Int. Agr. Chem. pfd	5.00	none	fair
U. S. Ind. Alcohol	8.00	4.00	fair
Virginia-Carolina	6.00	none	poor

Few companies have had to contend with such difficulties as those engaged in the chemical industry, particularly the fertilizer companies. Owing to the untoward developments in agriculture during the past year, the fertilizer companies have seen their business drop to small proportions, their surpluses almost eliminated and their earnings converted into deficits. The result has been a marked change in the dividend aspect of these securities.

The three leading organizations—American Agricultural, Virginia-Carolina and International Agricultural—have all been compelled to suspend dividend payments. In the case of American Agricultural and Virginia-Carolina Chemical the prospect for resumption of payments on the shares is rather remote. International Agricultural Chemical appears to be in a better position and the fact that there is a large amount in accrued dividends on the preferred stock makes this issue attractive at current levels. The Allied Chemical & Dye Corporation is affected unfavorably by the current situation in chemicals and is likely to be unfavorably affected by the influx of German dyes into this country, which may be brought about by failure of Congress to enact protective measures.

The U. S. Industrial Alcohol Company has recently halved its dividend to the $4.00 rate. Its business has diminished considerably but the company is in a satis-

The Changes in Dividends

SUGAR STOCKS.

	Once paid annually	New pays
American Sugar Refining	$10.00	0
American Beet Sugar	8.00	0
Cuban-American Sugar	2.50	0
Punta Alegre	4.00	0
	$24.50	0

MANUFACTURING STOCKS.

Allis-Chalmers	$4.00	$4.00
American Can	0	0
National Enameling	6.00	6.00
Westinghouse	4.00	4.00
Worthington Pump	6.00	6.00
	$20.00	$20.00

EQUIPMENT STOCKS.

American Locomotive	$7.00	$6.00
Baldwin	7.00	7.00
American Car Foundry	12.00	12.00
Railway Steel Springs	8.00	8.00
	$34.00	$33.00

PUBLIC UTILITIES.

American Tel. & Tel	$8.00	$9.00
Consolidated Gas	8.50	7.00
Pacific Gas & Electric	5.00	5.00
Peoples Gas	8.00	0
Western Union	7.75	7.00
	$37.25	$28.00

MINING STOCKS.

American Smelt. & Refining	$7.50	0
Anaconda	8.50	0
Kennecott Copper	5.70	0
Inspiration	8.00	0
Utah	14.50	2.00
	$44.20	$2.00

TOBACCO STOCKS

American Sumatra	$10.00	$8.00
Tobacco Products	6.00	†6.00
United Retail Stores	6.00	6.00
	$22.00	$20.00

†Scrip

AUTOMOBILE STOCKS.

Chandler	$16.00	$6.00
General Motors	†1.00	1.00
Studebaker	7.00	7.00
Pierce-Arrow	4.00	0
White Motors	4.00	4.00
	$32.00	$18.00

STEEL STOCKS.

U. S. Steel	$16.75	$5.00
Crucible Steel	10.00	4.00
Bethlehem Steel B	10.00	5.00
Midvale	6.00	0
	$42.75	$14.00

CHEMICAL STOCKS.

	Once paid annually	New pays
Allied Chemical	$4.00	$4.00
Amer. Agricul. Chem.	8.00	0
Intern'l Agri. pfd	7.00	0
U. S. Ind. Alcohol	32.00	4.00
Virginia-Carolina Chemical	6.00	0
	$57.00	$8.00

OIL STOCKS

Pacific Oil	....	$1.50
Pan American A	$10.00	6.00
Royal Dutch	6.37	5.20
Texas Co.	3.00	3.00
Sinclair Cons.	0	**0
	$19.37	$15.70

RUBBER TIRE STOCKS.

Ajax Rubber	$6.00	0
Goodrich	5.50	0
Kelly-Springfield	8.00	*3.00
Lee Rubber	2.25	2.00
U. S. Rubber	8.00	0
	$29.75	$5.00

†Add stock dividend of 1/10 of one share.
*In common stock. **8% in stock.

factory position and should be able to maintain the present rate for several quarters, by which time conditions in this industry will undoubtedly have improved.

Mining Companies

	1920 dividends	Present cash rate	Dividend prospects
Amer. Smelting	$4.00	none	poor
Anaconda	4.00	none	poor
Kennecott	1.00	none	poor
Inspiration	5.00	none	poor
Utah	6.00	2.00	uncertain

Only one of the five companies grouped in the attached table is still making payments on its capital stock and that company is Utah Copper. But even this rich company has been compelled to gradually cut down on the rate on its stock so that it now stands at only $2.00 a share, compared with the highest rate of $14.50 a share.

The copper issues, in particular, have suffered exceedingly from the unfavorable position of the metal. With the price of copper down to 12 cents a pound, as against a price of over 25 cents a pound during the war years, and with an average price of about 14 cents a pound before the war, it is obvious that the earning power of these companies has been severely affected.

The fact is that not one of these copper companies is earning money on its stock. On the contrary, deficits are piling up regularly.

The outlook for copper is not encouraging during the next few months but eventually the large surplus which has held this industry back should disappear with resulting higher prices and consequent earnings for these companies. It is impossible to believe that under present circumstances dividends can be resumed within a period of at least a half year, if not longer, though eventually, of course, the leading companies will rise to the point where dividend resumption would be warranted.

Steels

	1920 dividends	Present cash rate	Dividend prospects
U. S. Steel	$5.00	$5.00	good
Crucible	9.00*	4.00	fair
Beth. Steel "B"	5.00	5.00	fair
Midvale	4.00	none	uncertain

*Also stock dividends aggregating 100%.

Of the four leading steel companies listed in the attached table, dividends are still being maintained on three, the only one having passed its dividend being Midvale. The Bethlehem Corporation has suffered considerably from the decline in steel business but fortunately has been able to maintain a fair rate of earnings on account of its shipbuilding activities. The dividend on this issue does not appear in a dangerous position, especially now that the steel business seems to have improved a little.

Crucible is paying its dividend out of surplus, which is still large, but the rate should be considered insecure if the company's business does not pick up materially within the near future. U. S. Steel is in a good position with regard to its dividends. Probably the full rate on this stock will not be earned this year but the enormous surplus of the company would warrant dipping into this source for the purpose of maintaining the present rate of $5.00 a share.

Generally speaking, the steel industry has turned the corner of depression but it should not be thought from this that days of high earnings are at hand. They are not. The upward climb will be a long one but eventually these companies will arrive at a more satisfactory stage.

Tire Makers

	1920 dividends	Present cash rate	Dividend prospects
Ajax	$5.50	none	poor
Goodrich	5.50	none	poor
Kelly-Springfield	8.00	none*	good
Lee Rubber	1.50	2.00	good
U. S. Rubber	8.00**	none	poor

* 2% in stock.
** Also 12½% stock dividend.

Depression in the tire industry during the early part of the year affected these companies severely so that in every case but one cash dividends on the junior issues were completely suspended.

The only important company maintaining its cash dividend rate is Lee Rubber, which is in a strong position. Kelly-Springfield has eliminated cash payments but has retained the stock dividend feature. Probably this company is in the best position of all and cash dividend resumption within the next year is not at all unlikely.

From a market viewpoint these issues seem to have more or less thoroughly discounted their present dividend position. Conditions have shown some improvement in the past few months. Bank loans have been liquidated and in general the financial position of these companies has improved.

Equipments

	1920 dividends	Present cash rate	Dividend prospects
Amer. Locomotive	$6.00	$6.00	very good
Baldwin	7.00	7.00	good
Amer. Car Foundry	12.00	12.00	very good
R'way Steel Spring	8.00	8.00	fair

Practically the highest rate on these issues is still being maintained on the four leading issues — American Locomotive, Baldwin, American Car Foundry and Railway Steel Spring. These companies are in an exceptionally strong financial condition, particularly the first three mentioned. and should continue the present rate of disbursement. Earnings, while satisfactory under the circumstances, have not been up to par. Nor is it likely that earnings will increase much for the balance of the year as the railroads probably will not do much buying until 1922. However, the dividends on these four issues appear secure, although this prospect is fully discounted by the present position of the stocks concerned. From the point of view of profit possibilities, the equipments do not appear to me to be particularly attractive at these levels, although, of course, they have higher investment value than most of the other groups.

Oils

	1920 dividends	Present cash rate	Dividend prospects
Pacific Oil	none	$1.50	good
Pan American "A"	$6.00	6.00	uncertain
Royal Dutch	5.20	5.20	good
Texas Co.	3.00	3.00	good
Sinclair Consolid.	none	none**	fair

** 8% in stock.

In the past year or so there have been no changes of importance in the dividend situation with regard to the oil stocks. The same rates maintained last year, for the most part, are still being paid. According to the large graph the oil issues are selling out of line with their dividends. Thus the rate of dividends is about 77% of the highest paid in the war-period, but the stocks are selling at only 40% of their highest value at that time. Obviously this is a great discrepancy. However, events recently indicate that earnings for the oil companies are not likely to be very large this year and possibly this may be the case next year. In that case there may be some dividend changes.

The Pacific Oil Company seems to be in about as good a position as any, with Texas Company and Royal Dutch close seconds. Pan-American, on account of its Mexican Petroleum affiliations, appears to be under a cloud, but the essential facts seem to be so contradictory that it is impossible to hazard an opinion. The Sinclair Company can probably maintain its regular stock dividends although this will eventually affect the company's power to pay cash dividends.

Tobaccos

	1920 dividends	Present cash rate	Dividend prospects
Amer. Sumatra	$10.00	$8.00	uncertain
Tobacco Products	6.00	6.00*	good
United Retail Stores	6.00	6.00	good

* In scrip.

One of the surprising developments this year has been the exceptionally good showing made by the leading tobacco companies. It had been thought that these companies would be among the first to suffer in a period of depression such as recently witnessed, but this certainly did not turn out to be the case. The fact is that some of the tobacco companies seem to be in the best earning position in their history.

The outlook appears fairly bright and the dividend rate on the more important issues secure. American Sumatra appears to be in the weakest position and the maintenance of the present rate is problematical. Tobacco Products and United Retail Stores, however, should be able to continue their dividends. Unless, of course, depression in general business conditions gets to the point where it commences to affect even the tobacco companies which have thus far been surprisingly immune. Still their good showing in 1921, a generally bad year, is a hopeful sign.

Forecasting — A Difficult Business

An Open Letter by G. K. M. on an Important Change of Financial Methods

WITH the revival of interest and of greater activity in the stock and securities markets, there is clearly developing an effort to renew the forecasts of stock market prices, or at least of "trends" in such prices, that have been frequent in past years. The forecast business has been at times a very profitable field of activity, especially when there was a uniform movement of prices along tolerably obvious lines, so that forecasters were able to make correct predictions for at least a fair percentage of the time. Within the past two years, however, stock market forecasting has been extraordinarily difficult, and a good many of the forecasters have been obliged to go out of business. Few, if any, of the predictions that have been made as to market movements have been verified and the only successful organizations are those which have devoted themselves to accumulation and analysis of the facts at hand.

Growth of Financial Reporting

In lieu of the forecasting that has been done in Wall Street, there has developed a new and much more satisfactory system of financial reporting. This system lays no claim to ability to tell what is going to happen in the future, but confines its attention to giving reliable information concerning existing conditions. In the abler financial and banking offices, where careful study is made of what is going on in the financial world, interest has largely turned to the development of business indexes and "series," especially those that have a bearing upon financial conditions. What these are may very briefly be stated. Some of the chief are as follows:

1. A survey of prices based upon index numbers and including the price series representing most of the important countries of the world is of course fundamental.

2. Activity of credit as showing the extent to which bank deposits are being actually used in buying is measured by the figures, which during the past three years have been compiled by the Federal Reserve Board, and which show the debits to individual deposit account in all of the principal clearing house banks of the country. These figures have entirely superseded the older clearing house figures.

3. In judging of banking and credit conditions directly, an entirely new method has been introduced as a result of the weekly bank condition reports from one hundred cities, which are regularly made public at Washington. These, together with the weekly Federal Reserve Bank reports, give a picture of actual bank conditions on a nation-wide basis and in an up-to-date way that has completely taken the place of the older methods of credit reporting.

4. Interest and discount rates up to six years ago were never obtainable in any reliable fashion for the country as a whole. Today we have, in addition to the regularly published Federal Reserve rates, official monthly statements from about 25 different financial markets throughout the country, which afford data concerning the actual movement of rates for the standard types of paper.

5. Knowledge concerning discount conditions and the distribution of commercial paper and acceptances is now available in reliable forms not heretofore within reach.

6. Bank credit departments are making scientific studies based on careful accounting and statistical analysis, of the general condition of firms in given lines of industry and trade, and the results are being made public as needed.

7. Careful series of index numbers, showing the strength of buying throughout the country, are now compiled and issued, monthly or oftener.

Interpreting the Market

The results of careful financial reporting, when digested and interpreted through the use of basic data of the kind just summarized, afford a means of analyzing market conditions that has never before been available to American financiers. Much of the information thus placed at their disposal is not yet appreciated—indeed only the foresighted are as yet using it in a scientific way. There is nothing in such interpretation, however, no matter how ably made, which permits any forecast of actual market prices to be arrived at. All that such work can do is to point out the direction in which financial and banking elements in the general structure of business are moving, thus permitting the drawing of inferences as to what will occur if remedial measures are not applied.

One outcome of the changing conditions with respect to financial information, the better organization of the monetary and discount market of the United States, and the reliable distribution of facts concerning credit and business developments is that speculation is growing distinctly more intelligent than has been the case for a good while. There will always be a large percentage of unintelligent operations, dealings that are based on "tips"—real or otherwise—pool operations and manipulations of one sort or another. These have been kept to a minimum, no doubt, by the growingly close oversight on the part of the Stock Exchange and of other financial bodies. What is said here refers to the attitude of the average man who is in the market as an investor or speculator. He now has the data with which to inform himself as to probable future developments.

One feature of the financial changes that have occurred in the United States during the past five or six years, and of the better development of information that has taken place on the whole subject has been the use of far more discrimination and judgment on the part of investors.

This has been the result partly of the generally wider experience of the investing public due to the great interest aroused by the Liberty bond flotations which for the first time made millions of potential investors realize that there was such a thing as a security market: and partly to the higher level of excellence displayed in the field of financial journalism as illustrated in the leading periodicals. Additionally there has been a sincere and for the most part successful attempt on the part of certain investigating organizations to present essential data concerning the financial situation from which sound conclusions could be derived and which in turn could be presented to investors.

The irresponsible "tipsters" and agencies which present conclusions unfounded in fact and for which no preparation in analysis has been made are doomed to pass. Their place is being taken by large organizations with the facilities for making investigation into every phase of finance and economics. The result of course, shall be beneficial to the investor.

To Protect Gold Mining

Senators Ask Secretary Mellon to Endorse McFadden Bill to Maintain Gold Production

All the Senators from the Western States have joined in a letter to the Secretary of the Treasury asking his endorsement of the McFadden bill, which proposes to maintain the normal gold production of the United States by an equitable adjustment between the producer and industrial consumers. The letter suggests that if he cannot approve the bill as it stands, he should "formulate a proposal for enactment by Congress to protect the gold mining industry from destruction and, in anticipation of the heavy foreign drain upon our gold reserves, to provide for augmenting said reserve from sources of domestic production and thereby lessen the needs from further and extensive curtailment of credit which otherwise would result."

The letter sets forth that the production of gold in the United States has fallen from $101,000,000 in 1915 to $49,500,000 in 1920, a decline of more than 50%, due to the fact that the price of gold is fixed by the Government, while the cost of production has greatly increased.

The consumption of gold in manufactures and arts increased from $37,920,000 in 1915 to $75,490,000 in 1919, an increase of 100%, due to the excessive demands for luxuries and the fact that the Government has been supplying industrial consumers with the metal at the pre-war price. The letter says that the normal process of deflation will not be sufficiently rapid to prevent a further decline in production of gold.

Can the Railroads Save Money by Electrifying?

Alvin W. Krech States Some Very Pertinent Facts About This Interesting Subject

***Interview by* BENJAMIN NORTON**

INTERVIEWING THE INTERVIEWER.—Benjamin Norton, writer of the accompanying interview with President Krech, of the Equitable Trust Co., has had a long and varied career himself in practical railroading. After beginning in a subordinate position in the office of the local counsel of the New York & Canada Railroad (now the Northern Division of the Delaware & Hudson Co.), Mr. Norton worked up through various offices to a vice-presidency of the Long Island Railroad and, later, to the presidency of the Toledo, St. Louis & Western, commonly known as the "Clover Leaf."

More recently, Mr. Norton has been engaged in the examination of railroad properties for various interests, also in editorial work. He has a wide acquaintance among railroad officials, a fund of anecdote, and some definite views on the present status and future outlook of the American Railroad properties. The Magazine hopes to be able to publish more of his interviews with prominent railroad and business men, as well as some of his original studies.

THESE are days which call for rigid economy on the part of individuals, business enterprises of all kinds, as well as corporations and especially the railroads. It is hardly necessary to explain in detail why this state of affairs now exists. Most people know what the general conditions are. Economy is the watchword of the hour and the facts warrant it.

With the railroads, in particular, downright frugality is necessary. Expenditures must be scrutinized with a more than watchful eye. Adversities which have followed in the wake of Government control, and the actions of the Railroad Labor Board are besieging them with cruel force. The railroads are struggling with poverty.

Latest type 265-ton electric passenger locomotive, C. M. & St. Paul Ry.

The "carriers," as we commonly call them, are between two forces — their duty to loyal security holders and their obligations to an exacting public. To meet both demands, just now, requires unusual genius, indeed. It involves judicious economy in providing and maintaining equipment, tracks, signals, bridges, and buildings; and suitable facilities in the way of transportation in general. All these depend upon the price of labor and supplies. This is the problem. He is an able manager who can solve it correctly. Every railroad executive knows that safety is the underlying principle which governs his actions. Substantial equipment, well-laid tracks and care in transporting freight and passengers are absolutely necessary. How far can he go in economy, then, in order to leave—beyond any question—a liberal margin between danger and satisfactory operations?

In normal circumstances, the average operating expenses of the railroads should amount to around about 70 to 74% of the gross operating revenue. This means that wages must be fair and reasonable; the prices for materials and supplies normal and traffic good. Until these conditions prevail, the railroads need practically all they receive in revenue to meet operating expenses.

Knowing the general railroad situation at present and what may be expected in the way of results from operating by steam power for the future based upon past operations I recently called upon Alvin W. Krech, president of the Equitable Trust Co., to have a talk with him on the subject of the electrification of railroads and the railroad situation in general. He has gone into electrification so thoroughly in connection with proposed substitution of electric service for steam on the Western Pacific system that no one seemed better qualified to discuss this all-important matter.

Radical changes like this must necessarily be considered from the angle of economy. Will the substitution of electricity for steam result in more efficiency and less expense?

"We can never tell what is coming next," said Mr. Krech when I opened the subject. "In transportation, as elsewhere, the human instinct is for progress. The faster we go the better we like it. It might be, in the next fifty years or so, that airships will take the place of railroads altogether! Safety—speed—and marked economy may be centered in that particular method of transporting freight and passengers. The rule seems to be that what blooms with youth today suffers from old-age tomorrow. Inventive genius is busy all the time devising something new—useful—economical. In no field has there been such strides as in the field of electricity and this eventually may be the chief civilizing element.

"When we take up the question of operating all railroad trains by electricity we find that, at present, it is not universally practical. Circumstances must be right if satisfactory results are to be secured. There must be means of generating the electricity, transmitting it economically, and the volume of business offered must be taken into consideration.

"In other words, so far as electrifying is concerned, every road must be a law unto itself. Some railroads may be so located that water power can be utilized to the best advantage for generating electricity; but the traffic may be limited. Other lines may have an enormous volume of business, but no water at hand to be turned into useful and economical account.

"In my opinion, speaking broadly, electrifying railroads and abolishing steam power altogether seems to be a long way in the future. The tremendous outlay involved in substituting one for the other is a vital matter for consideration, too."

"You ask me," Mr. Krech continued, "about the Western Pacific. I went into the question of adopting electricity on that road pretty thoroughly; but I found that the volume of business presented would not warrant the expense involved in making the change. It may be done to advantage on that road some day, but not now, at any rate.

"I know that the Chicago, Milwaukee & St. Paul management have gone to great expense to put some of their far Western divisions under electricity," Mr. Krech went on, "and would be very much interested to know just what results have been obtained up to now."

Having been in communication with Mr. C. F. Loweth, Chief Engineer of the St. Paul, on this subject, the writer was in a position to show Mr. Krech some statements in this connection. These he looked over very carefully.

Mr. Krech is a man who goes to the bottom of things. His range in affairs of the day is extremely wide. Besides being president of the Equitable Trust Co. and a director of twenty or more large corporations, he is also a director in eight railroad companies, is chairman of the Board of the Western Pacific Railroad and vice-president of the Chicago & Eastern Illinois.

Regarding the St. Paul electrification by the way, these are the facts: This road now has two stretches of electrified railroad. The first development was 440 miles, covering three mountain ranges, including the so-called "Continental Divide" extending from Harlowton, Montana, to Avery, Idaho. This division has been in operation for several years. The later application was from Othello, Washington, to Tacoma, some 210 miles, and includes not only the Cascade Mountains, but a long climb out of the Columbia Valley. There is now left between these two sections over 200 miles of railroad which will in time, no doubt, be electrified, although not in the near future. The St. Paul management feels that there are less benefits to be derived from the electrification of this section than for those adjoining it.

The power employed is all hydro-electric and has been contracted for a period covering a long term of years at extremely favorable rates. It is said that these far western lines of the St. Paul run through a country where there are many water-power possibilities in excess of power requirements, and when the present power was secured this condition was even more marked than it is at present.

A very considerable advantage which the St. Paul enjoys from electrification is on the mountain grades, which are long. There is no end of economies, on this account, which would not be disclosed under ordinary conditions.

There are other conditions, too, which surround this wonderful undertaking and they are conducive to economy which does not ordinarily pertain. Out there the St. Paul is operating through a country where connecting railroads are not frequent. Railroad men know that the interchange of business between steam and electric lines, presents some complications which in the St. Paul case are not many. By reasons of the long stretch of electrified railroad and the control of the sections adjoining, it is able to maintain a more uniform flow of traffic than would be possible in many instances, especially at terminal stations, and this results in what a railroad manager would call "minimizing peak requirements."

All these operations of the St. Paul are through mountainous country, at elevations 'way above the sea level. The valleys are deep and mountains to climb are very high.

It is of special interest to know that the St. Paul has for some time past been operating electric locomotives on continuous runs in the passenger service from Harlowton to Avery—440 miles—and these locomotives are frequently turned at either end without being run into the roundhouse. This is remarkable when we consider that, for a run of this length—out and in—it would require the services of at least six steam locomotives.

The conclusion that the St. Paul management has reached after such results is that it would be able to run an electric locomotive in the passenger service continuously over a stretch of 1,000 miles! This is astounding when one knows how many steam locomotives are required for a similar service.

For short service, the economies shown for the long haul will not prevail in any such degree.

"Anyone can easily see," said Mr. Krech, "after considering the St. Paul case, that putting railroads under electricity for economical reasons depends entirely upon circumstances, as I said before. It is quite likely, too, that further developments may bring forth some other method for transmitting power, whereby over-head wires and the third rail will be abandoned entirely. Perhaps an economical storage battery for heavy work may be invented so that trains could be run independently of a general power station.

"As the matter stands today, however, I should say that the adoption of electricity by all the railroads in the country is quite out of the question. Only in special instances, as we have seen, are present methods practicable and economical. The St. Paul is an excellent example of what I claim because substantial water power is at command in places and the traffic conditions on some divisions warrant the change.

"I am sure that anyone who travels on a train hauled by an electric locomotive can't help but appreciate all the comforts that go with it; ease in starting and stopping, smoothness of the service; no smells; no smoke; little noise and a continuous high speed, quickly attained. Incidentally, though, we can't complain too much. In normal times, our railroad facilities are excellent, whether the cars are hauled by steam or electricity."

The writer then asked Mr. Krech for his opinion of the future of American railroading. His reply follows:

"There is no question that the future of railroading is bright. The roads are bound to grow.

"Economic readjustments now taking place will be followed by a revival of business of all kinds. History, as everybody knows, always repeats. The return to prosperity will mean a new life for the railroads and an opportunity for them to recover from the pressure they have been under for the last few years.

"Everyone is satisfied that, under Government control, the railroads of this country would be doomed. Recent bitter experience proved this beyond any question. In our time, at least, Government control won't be tried again, and the railroads, under private control, therefore have a clear way ahead in which to recoup.

"There are good times coming.—Surely—"

"I might add," said Mr. Krech, in closing, "that I am extremely pleased with the present administration in Washington. It is doing great things and along lines that will secure a return to prosperity at the earliest possible date.

The most heartening factor in the railroad situation today is the attitude of the administration in Washington, which is alive to the fact that the healthy maintenance of the transportation industry lies at the root of general business revival in this country. It has shown every intention of being helpful along sound and constructive lines."

Just now some railroad figures, which show net results from operation, bear out in a measure Mr. Krech's idea of the "good time Coming." There is every reason to warrant the belief that the dawn of better times is approaching, but we all know that the process of adjustment from bad to good and from good to better is painfully slow. The trend of affairs, however, seems to be upward and the railroads in particular are bound to enjoy the first fruits of a new business regime.

Mr. Krech's views cannot help but inspire a feeling of good will and aid, materially, in restoring full confidence—not only in the railroads, but in all kinds of business—as well.

American Locomotives Popular Abroad

The Madrid, Zaragoza & Alicante is one of the two large railroad systems in Spain. Having 2,267 miles of line, it constitutes about 25 per cent of the total railroad mileage in the kingdom, which is 9,610. The road is of 5 ft. 6 in. gage, this being the standard used on 75 per cent of the mileage in the country, the balance being meter gage. The road operates three main lines out of Madrid, the first running easterly through Zaragoza to Barcelona and along the coast to the French border, the second southeasterly to Alicante with branch to Cartagena, and the third southerly and westerly to Cordoba and Seville. The rolling stock consists of 879 locomotives, 1,643 passenger coaches and 20,964 freight cars.

American built locomotives of the balanced compound 12-wheel type have been in operation on the Madrid, Zaragoza & Alicante for several years, but they were constructed from drawings furnished by the railroad and were duplicates of previous locomotives used on the road which were built in Germany.

The workmanship on these locomotives has received very favorable comments and refutes the opinion frequently held in Europe that American workmanship is of a low grade. Due to the results thus far obtained, the impression made by these locomotives is a very favorable one. In two or three years when they are taken in for heavy repairs, it is hoped that a comparative report can be obtained between the cost of repairs on these locomotives and other locomotives of European design.

Money and Credit

Business on the Upward Grade

An Improving Situation — Funds More Abundant — Investment Return Falling — Trade Improving—Future Holds Encouragement

By H. PARKER WILLIS

PROSPECTS of a decided advance in business, which have been recognized since early in the Summer are at length beginning to show a definite reflection in current fact. The month of September has been characterized by an increasing abundance of funds, more complete liquidation of frozen loans, reductions in rates of interest, a turn for the better in the iron and steel trade, enlargement of manufacturing along many lines, growth of railroad net earnings, and a more hopeful outlook in the stock market. Viewed in this way the prospect, even to those who are of a pessimistic turn of mind, must seem distinctly more hopeful than any that has been visible for some time past. If it be true that there is still a long way to go in rectifying our business situation and that no complete success in that regard can be had so long as the world at large is disturbed, it may nevertheless be answered that there are few times when all prospects are one hundred per cent perfect and that we now at length have what has been hoped for in many quarters—a better outlook in business.

Banking Improvement an Outstanding Factor

The change for the better in banking conditions has been very notable. It was already plain during the past Spring that the process of restoring liquidity in Federal Reserve portfolios was well under way. Nevertheless it was not clear how far frozen credits in the agricultural regions and disturbances of business conditions in many parts of the country would operate to check and curtail the process which had thus been effectively started. The month of September has thrown much light upon the solution of this problem. Better prices for agricultural products of many kinds, and particularly for cotton, have been the outcome partly of changed agricultural conditions in the United States and partly of improvement of foreign demand. The net result has been to give growers an immediate command of cotton, or at all events, the power to operate on favorable terms with their products as security. They have thus been enabled to cancel their loans at banks and also to begin more active buying not only of consumable goods but of fertilizer, machinery and elements of equipment of various kinds. The natural outcome of this situation has been the reduction of the bill holdings of Federal Reserve Banks to little more than $1,400,000,000 at the close of September, while the loans and discounts of member banks have fallen off correspondingly. As a result there has been a very decided clearing up of the credit situation and the "strain" which was expected to be brought to bear upon the reserve system because of crop moving has made itself felt but little. The demands of western and southern districts for interdistrict accommodation have fallen far below those of a year earlier. Owing to this situation a hasty glance at banking figures seems to show that credit is being "restricted," when, as a matter of fact, what has happened is merely the liquidation of old credit, while new credit is being granted as occasion requires freely enough for all reasonable needs.

Our Great Gold Reserves

The granting of such credit is in fact merely a matter of judgment in view of the enormous accumulation of gold in the vaults of Reserve Banks which has brought their reserves up to about 67%, while the reserve percentage of the Federal Reserve Bank of New York has gone as high as 84. In such circumstances member banks can secure practically unlimited accommodation if they need it and have eligible paper to present. The volume of credit to be granted is in short limited only by the legitimate requirements of business. It is, no doubt, in the belief that the process of accommodating business may be eased that a reduction in discount rates has been made by several Reserve Banks late in September to 5%. Call rates have continued about stable at around the same figure, but time money which for a long time has resisted the various fluctuations in the call market and has been stable at from 5½ to 6%, now at last shows a tendency to drop below that level. As is shown by the graphs on the opposite page, both in the case of time funds and of commercial paper there is a continuing and appreciable downward movement which must be regarded as the outcome of the increasing liquidation of loans in the agricultural regions, restriction of manufacturing and commercial demand, and the steady accumulation of savings which are seeking an outlet. In this connection, too, it should be noted that Secretary Mellon's latest offerings of Treasury certificates and notes,—one running to $600,000,000, the largest single offering since the war,—have been heavily oversubscribed, while other high grade bond offerings have also been very favorably regarded.

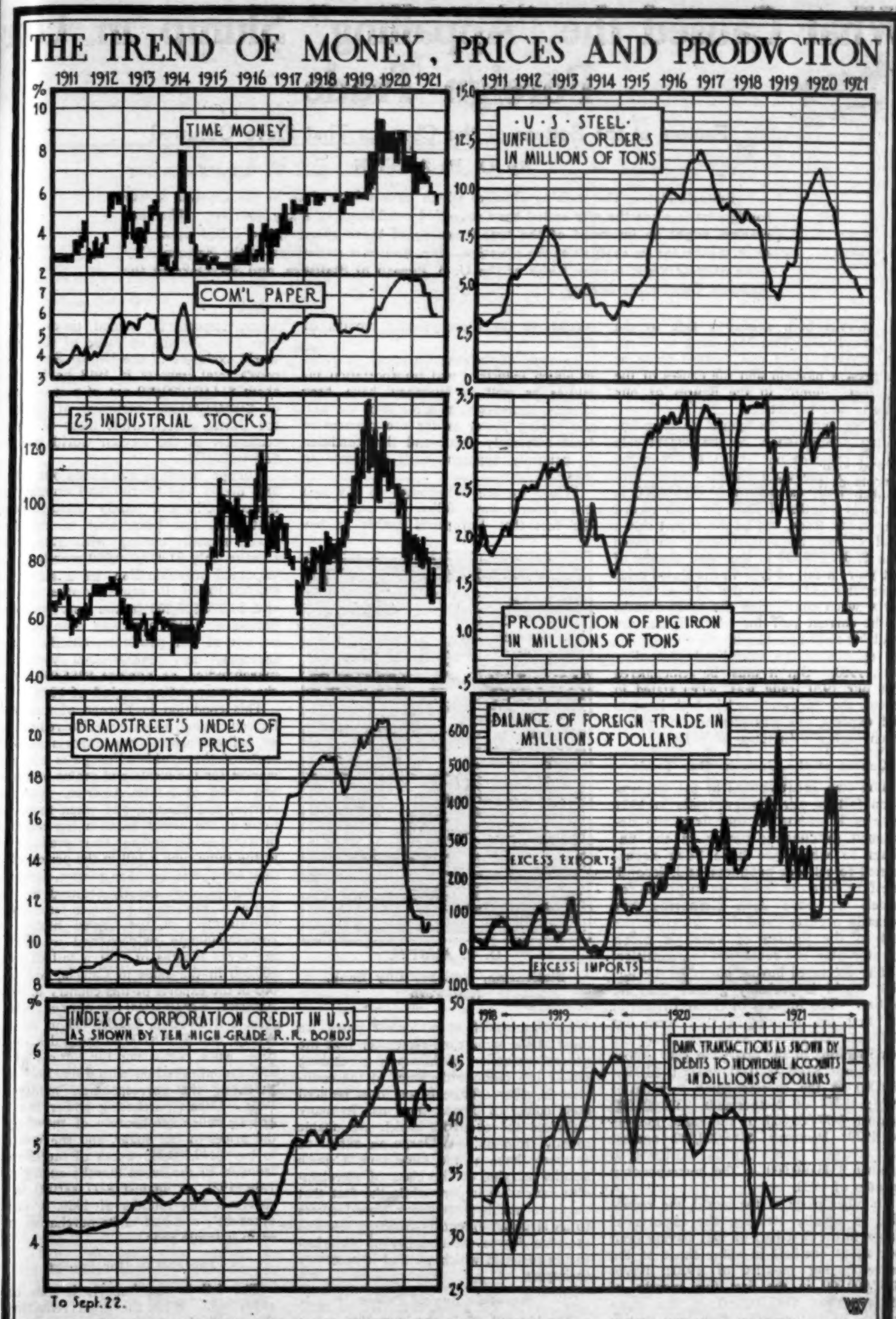
Investment Outlook Bright

The great strength in the bond market and the active demand for many classes of securities which have heretofore been sluggish, exemplifies and emphasizes the tendencies to which reference has just been made. As is shown by the index of corporation credit herewith brought up to date, the situation in the bond market as reflected in ten high grade railroad securities is for September 5.37, or approximately the same as a month earlier. The monthly figures, however, do not tell the whole story for within the latter part of September there has been a distinct upward trend particularly in various classes of bonds not included in the index. The result has been to lower the net yield of old bonds by making their cost higher to the investor at a given rate of interest. This tendency is clearly pointing to a state of things in which the borrower will be able to obtain the capital he needs upon much more favorable conditions than heretofore. In the stock market also the prices of the more desirable securities have definitely turned upward, the index for the month showing a position of 78.59 (maximum) to 66.24 (minimum). Despite setbacks from time to time and the fact that the public has not as yet come actively into the market, there is a far better tone in the stock market with a correspondingly favorable outlook for the acquirement of capital where necessary through the offering of corporate obligations to the public. All told, therefore, the situation must be regarded as very decidedly improved from the banking and monetary point of view, not only as regards the speculative or market state of things but in the broader sense of investment and permanently issued obligations. Prediction in such times is always hazardous but it seems likely that the trend away from the period of very cheap securities and of unprecedentedly high yields for "gilt edged" bond investments has definitely set in and that there will be only temporary or occasional setbacks in the near future.

Commodities and Prices

Interest during the past month has thus turned to money and credit and away from the commodity side of the business situation—a development which is certainly quite at variance with the conditions of the past month. During earlier months the attention of the financial and business world has been concentrated, per-

(Continued on page 790)


THE TREND OF MONEY, PRICES AND PRODVCTION
TIME MONEY
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UNFILLED ORDERS
IN MILLIONS OF TONS
25 INDUSTRIAL STOCKS
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BRADSTREET'S INDEX OF
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IN BILLIONS OF DOLLARS
1911 1912 1913 1914 1915 1916 1917 1918 1919 1920 1921
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To Sept. 22.

What Caused the "Appalling" Slump in Our Foreign Trade

Factors at the Bottom of the Changes That Have Occurred

By **O. P. AUSTIN**

Editor's Note: The striking changes which have taken place in the amount of our foreign trade since the war ended have unsettled confidence in many quarters. That our readers might be informed of the true meaning of these changes, we called upon Mr. O. P. Austin for an analysis of the situation. Mr. Austin is statistician of the National City Bank of New York, former Chief of the U. S. Bureau of Statistics, and Secretary of the National Geographic Society.

I HAVE been asked to talk to the readers of THE MAGAZINE OF WALL STREET about our foreign trade at the present moment and the causes of the apparent "slump" in the figures of our imports and exports.

On the surface the figures do seem appalling. They show on the import side a total value of but $1,693,000,000 in the imports of the eight months ending with August, 1921, as against $3,995,000,000 in the same months of 1920, the high record year in our trade, and on the export side a total of but $3,144,000,000 as compared with $5,369,000,000 in the same months of last year; a fall of 57% in the stated value of imports and 41% in the value of the exports, when considering the seven months of the current year for which figures are available as compared with the corresponding months of the immediately preceding year, 1920. But it must be remembered that our 1920 trade was, when stated in values, the "biggest ever" in both imports and exports, but was measured in prices much higher than those of today.

Causes of the Drop in Our Trade

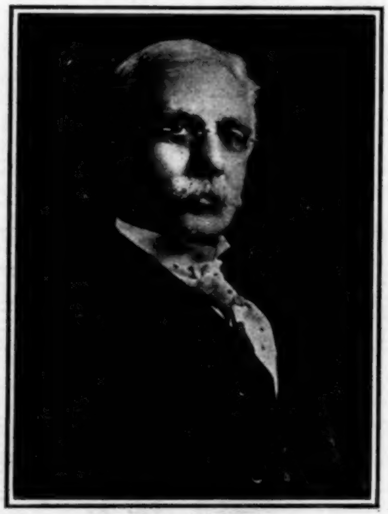
The two great causes of the tremendous fall in our foreign trade in 1921 are, as it seems to me, first, the decreased purchasing power of the nations to which we have been accustomed to sell our products, and, second, the fact that the reduction in prices for which we have been clamoring has actually occurred and that therefore the fall in the figures of value is much greater than the reduction in quantities.

The decreased buying power of the foreign world is probably greater than we realize. The imports of Great Britain in the first five months of 1921 were but $2,146,000,000 against $3,635,000,000 in the same months of the preceding year; those of France $1,688,000,000 against $3,056,000,000 in the corresponding months of 1920; those of Netherlands $389,000,000 against $477,000,000 in the same months of 1920; Denmark $185,000,000 against $307,000,000; and Canada $370,000,000 against $545,000,000 in the corresponding months of 1920.

In other parts of the world, the reduction is equally striking, the imports of Japan in the first half of 1921 having been but about one-half in value those of the corresponding months of 1920; Egypt $132,000,000 in the first five months of 1921 against $185,000,000 in the same months of the preceding year; and British South Africa $117,000,000 against $132,000,000 in the corresponding months of 1920.

In many of the new European countries in which industrial and transportation facilities as well as currency have been greatly disarranged as a result of the war, the buying power is for the moment at least extremely small and this condition is painfully apparent with reference to Russia.

While we are accustomed to say that our exports have fallen off because of the fact that Europe is unable to buy from us as much as in former years, we must at the same time remember that the general reduction in Europe's purchasing power has reduced the sales of the countries in other continents and thus reduced their power of buying from us. In many instances the countries which are unable to buy from us to as large an extent as formerly have at the same time a much smaller surplus of the class of merchandise which we import while the fact that they are unable to buy our manufactures to as large an extent as formerly reduces in some degree the quantity of manufacturing material which we find it necessary to import.



O. P. AUSTIN,
Statistician, National City Bank, New York

Europe's Buying Power

The big fall off in the importing power of the world occurs primarily in Europe, whose imports in normal times formed over three-fourths of those of the entire world exclusive of the United States, Europe's total imports in 1913 having been about $14,500,000,000 out of a world total of $18,000,000,000 exclusive of those of the United States, while those of all the remainder of the foreign world was but $3,500,000,000.

Europe, much as she needs our wheat and meats and cotton and copper and mineral oils and partly manufactured materials, has been able in the first seven months ending with July, 1921, to take only $1,473,000,000 worth of our exported merchandise, as against $2,692,000,000 in the same months of 1920, and $3,078,000,000 in the corresponding period of 1919, and was able to send us out of her products, chiefly manufactures, only $433,000,000 worth of merchandise, as against $785,000,000 in the corresponding period of 1920.

This condition in Europe of extremely limited buying power has also reduced by an indirect process our exports to other parts of the world. Europe is the chief market for the meats and grains and hides and wool of South America, Australia, Africa, and Canada, and when those sections of the world found a big reduction in Europe's demand for their products and at the same time a fall in the prices which they were accustomed to receive, their sales to Europe were greatly reduced in value and as a result their power to purchase the manufactures of the United States was correspondingly reduced and we find in the seven months of 1921 a fall of $229,000,000 in the sales to Canada, $130,000,000 in the exports of this country to South America, $290,000,000 in our exports to Asia and Oceania, $42,000,000 in those to Africa, and $1,218,000 in our sales to Europe, when comparing the figures of the seven months ending with July, 1921, with those of the corresponding months of 1920. Cuba's purchasing power has also greatly fallen off because of the drop in the prices of her sugar, and she was able to buy $140,000,000 worth of merchandise from us in the seven months ending with July, 1921, as against $277,000,000 in the corresponding months of 1920, a fall of practically one-half in its purchasing power in a single year.

The Fall in Our Imports

The fall in our imports is also easily explained. With the great reduction in the purchasing power of every grand division, and especially Europe, our manu-

facturers have found it unnecessary to import as large quantities of manufacturing material as formerly and as most of that which they are importing comes at prices far below those of last year it is not surprising to find that the value of raw material imported in the seven months of 1921 is less than half that of the same months of 1920 when our manufacturers were making their highest record of sales abroad, aggregating $4,000,000,000 in the full calendar year 1920 as compared with a little more than $1,000,000,000 in the calendar year immediately preceding the war.

FOREIGN TRADE OF THE UNITED STATES

In seven months of 1921, compared with corresponding months of 1920 and 1919.

	Imports 7 mos. ending July			Domestic exports* 7 mos. ending July		
	In thousands of dollars.					
By great groups	1919	1920	1921	1919	1920	1921
Crude material for use in mfg....	820,052	1,271,661	498,396	822,370	1,173,492	546,108
Foodstuffs, crude and food animals	268,472	343,282	153,056	389,446	400,847	419,673
Foodstuffs manufactured	338,135	812,765	247,936	1,297,971	767,046	412,689
Manufactures for use in mfg.....	294,195	504,424	201,064	520,852	601,560	277,894
Manufactures ready for use........	224,170	528,440	359,436	1,478,743	1,847,684	1,117,240
Miscellaneous	9,280	21,036	9,285	7,520	7,923	4,173
Total	1,954,257	3,481,617	1,499,204	4,516,904	4,798,553	2,777,712
By grand divisions	Imports			Total exports**		
Europe	295,628	784,723	432,720	3,078,989	2,691,699	1,472,769
North America	675,924	1,098,000	496,272	674,735	1,091,207	729,421
South America	322,113	511,953	183,182	263,281	330,441	200,655
Asia	506,467	854,531	307,728	420,059	544,283	284,760
Oceanica	94,153	102,909	55,048	132,948	143,893	114,351
Africa	59,970	129,562	24,253	56,096	95,598	52,949
Total	1,954,257	3,481,617	1,499,204	4,626,169	4,897,121	2,854,904

*Includes only domestic merchandise. **Includes foreign merchandise re-exported.

Nor is it surprising that our imports of foodstuffs in the seven months of 1921 show a much smaller value, when compared with the same months of 1920, when we find that the prices of most of the articles imported for food are now far below those of 1920; coffee imports in July, 1921, being about one-half as much per pound as in July, 1920, and the import price of sugar in July, 1921, less than one-fourth of that in July, 1920.

That a large part of the fall off in stated value of both imports and exports is due to the lower prices for which we have been clamoring and which we are now beginning to get, nobody can doubt if he takes the trouble to compare the import and export prices of July, 1921, with those of the corresponding month of 1920. The official publications of the Department of Commerce show in nearly all cases much lower prices in both imports and exports at the present time than even one year ago.

The average import price of the raw cotton entering the United States in July, 1921, was 18.6c per pound against 60.2c in July, 1920; flax $903 per ton against $1,689 in July of last year; manila hemp $149 per ton in July, 1921, against $377 per ton in July, 1920; calfskins 23c per pound in July of the current year against 65c in the same month of last year; goatskins 33c per pound against $1.37; india-rubber 15c per pound against 44c; cane sugar, raw, 3.2c per pound against an average of 16c; combing wool 25c per pound against 57c; and unrefined copper 12c per pound against 18c one year ago.

On the export side the reduction in prices per unit of quantity is equally startling. Corn exports in July, 1921, averaged 71c per bushel against $1.81 one year ago; flour $7 per barrel against $11; bituminous coal $5.75 per ton against an average of $10.35 in August of last year; pig iron $25.80 per ton against $51.66 in July of last year; men's shoes $3.30 per pair against $5.45 in July, 1920; and pitch pine lumber $31.45 per thousand feet against $62.30 in July of last year.

That the big reductions in prices per unit of quantity in July, 1921, as against July of 1920 are a very important factor in the heavy fall off in stated values of all imports or exports in 1921, when compared with 1920, cannot be doubted. The fact is that we had reached such a state of mental exaltation in contemplating the big figures to which our foreign trade had attained as a result of the inflation of prices that we failed to fully realize that they must take a tumble of perhaps one-half if we were to be successful in the demand for lower prices which we have been making upon "the butcher, the baker and candlestick maker."

To sum up let me repeat that the two great factors in the big reduction of our trade in 1921, as compared with 1920, are, first, the reduced buying power of Europe and therefore of the world as a whole, and second, the return to something like normal prices in a large proportion of the merchandise forming our imports and exports. **Yet, even with this radical reduction in both imports and exports in the seven months of 1921 compared with the corresponding months of 1920, we must remember that our total trade in the calendar year 1921 will be more than $7,000,000,000 against 4¼ billion dollars in the year before the war, that our 1921 export of manufactures will be 2 1/3 billion dollars against a little more than 1 billion in 1914, and that our "favorable trade balance," $1,534,000,000, in the elapsed eight months of 1921, is already actually double that of any full year preceding the war.**

Foreign Exchange

The suggestion emanating from the United States that an International Congress should be held, possibly coincident with the forthcoming Disarmament Conference, to discuss the stabilization of the Foreign Exchanges, has not been received with favor in this country, nor has it met with any better reception in banking circles on the other side of the Atlantic.

In considering the manifold difficulties now obstructing world trade, the value of international co-operation must not be under-estimated; nevertheless, there is a pronounced feeling that the theories of the situation have already been correctly diagnosed, and that only by a general application of these agreed principles can real improvement be effected.

There is no one royal and easy path to exchange stabilization, in fact, years will probably elapse before even the most strenuous and well-directed efforts on the part of each country can restore to the complex international financial machinery its pre-war smoothness of working. The causes of the dislocation have already been repeatedly and exhaustively discussed, and there is a serious danger that another International Conference, such as that proposed, might result in too much reliance being placed upon International action and too little upon individual effort. Each country must, to a very large extent, work out its own salvation, for the richer nations can only assist the poorer by helping them to help themselves and by avoiding such obstructive actions as the erection of tariff barriers and the adoption of other similarly narrow and short-sighted policies.

In much the same way, there is a danger that in focussing attention on the transient encouragement given to exports—when the foreign exchange quotation for a currency is less than its real value—the more permanent factors in world competition may be given less than their proper value.

It is important to remember that the inevitable operation of economic law tends automatically to diminish the advantage obtained from an abnormal depreciation in the external value of a currency, since if it becomes an effective stimulus and exports are thereby increased—then to that extent, forces are set in motion which must ultimately restore the balance between external and internal currency values. Exchange margins of this nature are necessarily temporary and should not be regarded as comparable in importance to the advantages in competitive trade obtained by lower costs of production. In the case of Germany, wholesale prices are approximately sixteen times higher than before the war, while at the present quotation of 320 marks to the pound the exchange rate is also sixteen times the pre-war parity.

It would be little short of a national disaster if the agitation for legislation to protect industry from the competition of countries with depreciated exchanges, should obscure the more important and permanent factor of lower production costs, for no form of protection yet devised can safeguard our industries in so far as foreign markets are concerned.—*Barclay's Bank Monthly Review.*

The Foreign Exchange Outlook

What War Did to International Market—Future of the Pound Sterling

By **THOMAS B. PRATT**

IN the September 17th issue of THE MAGAZINE OF WALL STREET, there appeared an account of the workings of foreign exchange under normal conditions prevailing before the war. The mechanism of that delicately balanced machinery used for the settlement of international debts was briefly explained and reference was made to the disorganization that was brought about as a result of the war.

As perfect as was the mechanism designed for the efficient carrying on of international trade, yet no machinery could have withstood the shocks that followed one another in quick succession in July and August, 1914. On July 28, Austria declared war on Servia and two days later the Bank of England rate was raised to 4% and the following day to eight. The continent commenced to liquidate securities in London, and to protect itself the London Stock Exchange closed on the 31st. Similar action was shortly taken by the New York Stock Exchange and by all other exchanges. The Bank of England rate went to 10% on August 1, when Germany declared war on Russia. A run started on the Bank of England (an inconceivable event a week before) following the declaration of war by Germany on France on August 3. Two days later England entered the conflict.

The Early War Disorganization

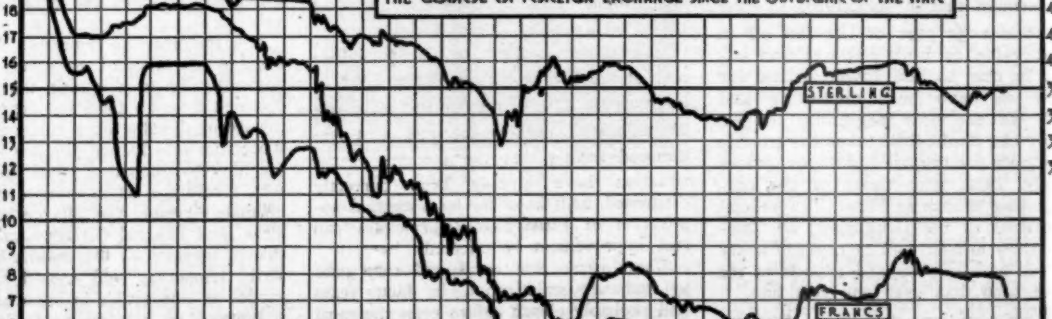
It is unnecessary to recall the financial disorganization that followed—the suspension of specie payments and the demoralization of the world's business being among the more important. The situation was unprecedented and there were no economic laws or theories to guide the leaders in their handling of the huge problems that confronted them. In many respects the most far-reaching result of the war was its effect upon the exchanges.

At the outbreak of the war the United States had a large adverse balance of trade amounting to about $250,000,000 and gold was being shipped in large quantities to London. As a matter of fact, when the war broke out, $10,000,000 of gold was on its way to London, but the steamer *Kronprinzessen Cecilie*, on which the gold was being shipped, was recalled, owing to the dangers existing at the time. In addition to the huge balance of trade against the United States, Europe commenced to dump its American securities on the New York market as fast as they could be absorbed. As mentioned above, this resulted a few days later in the closing of the New York Stock Exchange. The demand for sterling exchange increased rapidly; the rate rose first to $5, then to $6.50 and finally reached a high of $7.

There was apparently at the time no way for the United States to settle its balance with Europe. Practically every European country placed an embargo on the export of gold and most of them also declared a moratorium. In normal times this abnormal condition would have been anticipated and corrected by bankers through the issuance of finance bills, pending the correction of balances through the shipments of foodstuffs a little later in the year. No one at that time had any idea that Europe would have to call upon us for huge loans and credits and that the position of the exchanges would be reversed in a short time. In fact, the whole situation was unprecedented. The very idea of the great nations of Europe entering into war against each other in modern civilized times was believed by most economists to be an impossibility. It was thought that the international banking and financial arrangements would of themselves prevent such an occurrence. After the war started, it was generally believed that its duration would last only a few weeks and that each country would be able to supply its own needs in the way of war materials and foodstuffs during that short time. The greatest uncertainty at the time was who would be victorious and what effect the victory would have upon capital.

Impossible to Ship Gold

When it became impossible, or at least unsafe, to ship gold to London, arrangements were made whereby New York shipped gold to Ottawa for London's credit. The total of such shipments amounted to between $100,000,000 and



The above chart graphically illustrates the extraordinary developements in the foreign exchange market since 1914, when the war broke out. Sterling exchange, as explained in the article, advanced rapidly to $7.00. This is not shown in the chart, the course of sterling starting in 1915 when it was "pegged" at $4.76. In 1918 came the Armistice, and in February, 1919, Congress refused to grant further credits to the Allies. Exchange declined steadily during the balance of that year and on into the next. The fluctuations since early in 1920 disclose the difficulties under which international trade is carried on. The range between the high and low for Sterling this year is nearly 50 Cents, whereas for thirty three years prior to the war the range was 9 cents, between $4.82 and $4.91.

150,000,000. This helped in keeping the exchanges down.

Europe commenced to call for our products, particularly foodstuffs, in the Fall and these exports in connection with the gold shipments to Ottawa produced a supply of sterling bills and exchange on London commenced to decline, and by November had reached par. In the middle of December, exchange for the first time since the war started went below par, and it has remained there ever since. By the following August, one year after the war had started, sterling exchange had declined to $4.50 and with the improvement in the shipping situation and the control of the seas established by England, gold commenced to come back to the United States. All of Europe at that time, with the exception of the Central Powers, were clamoring for our goods, and they paid for them in gold and in the securities that we had sold to them during the previous half century. The British Government mobilized all American securities held by British investors, to be used either for the establishment of credits in the United States or for the payment of goods, and these securities commenced to come to the United States as fast as our market could absorb them.

It was not until August, 1915, however, that England really appreciated the seriousness of her financial situation and had to look for new means of paying for our products. Our export trade was increasing on an unheard of scale. Prior to the war the excess of exports over imports averaged about $500,000,000 a year, but for the six years, 1915 to 1920, inclusive, it has averaged $3,000,000,000 a year. Some new method had to be found to pay for these goods and England and France, therefore, negotiated a loan in the United States, known as the Anglo-French loan, for $500,000,000. This loan came too late to have an appreciable effect on the exchange market, however, so England had to establish further credits by pledging more securities with American bankers. It has been estimated that Europe held, before the war, securities of industrials and corporations in the United States amounting to approximately $5,000,000,000 and that at least $4,000,000,000 of this was repurchased by American investors.

With these additional credits, exchange rose in January, 1916, to $4.78 and finally it was "pegged" at $4.76, which became known as the war par.

When the United States entered the war in 1917 the Allies were enabled to obtain credits from the United States Government, the total amount of such credits that were obtained in the two years following, amounting to nearly $10,000,000,000. This, together with the huge sums of money the United States Government was sending abroad to supply the American Expeditionary Forces, taken in conjunction with the artificial support of the foreign governments, kept exchange steady until the end of 1918. In the early part of 1919, Congress refused to grant further credits to the Allies and exchange on all the principal countries commenced to break and the decline in most cases was precipitous.

Gold Standard Discarded

During the war, the efforts of all countries were naturally centered upon victory. Little regard was paid to the ordinary economic machinery of the world. Almost immediately after the war started, the principal countries placed an embargo upon gold and thus suspended specie payments. As the war progressed, the need of the nations for new capital increased enormously and capital was obtained in every conceivable manner. The table appearing herewith shows how $20,000,000,000 was obtained in the United States in one form or another, half of which was advanced by the United States Government. Each country issued huge internal loans and obtained funds in other manners that tended to depreciate the value of their curriencies. The gold standard necessitated each country maintaining a sufficient amount of gold to take care of whatever requirements might arise through the demands for converting currency into gold. Most of the large countries, therefore, found it necessary to secure their currency by approximately 40% of gold deposited in their central banking institutions. It was this gold reserve that established a credit for a country's currency and maintained the faith and confidence, not only of the country's people in that currency, but of the financial and commercial interests of other countries.

HOW THE UNITED STATES HAS FINANCED OTHER COUNTRIES SINCE THE BEGINNING OF THE WAR.

Loaned by United States Government to Allies	$10,000,000,000
Purchase of American Securities formerly owned by investors in foreign countries	4,000,000,000
Open account credits, purchase of foreign exchange and deposits in foreign banks	3,000,000,000
Purchase of long and short term securities of foreign governments—dollar loans; and of internal loans of other countries	3,000,000,000
	$20,000,000,000

Conditions in Germany

The effect of internal loans on the currency of a country may best be shown by a study of what happened in Germany. This is by no means the worst example, for the currencies of Poland, Russia, Austria-Hungary and some of the other Eastern European countries are in a more demoralized position today than the German mark. **What happened in Germany, however, also happened in a more or less degree in practically every country in the world; but whereas the German currency situation is practically hopeless insofar as its pre-war basis is concerned, the currencies of many of the other countries may be re-established without much difficulty.**

Prior to the war, Germany's currency circulation amounted to 1,900,000,000 marks and the country had a gold reserve against this circulation of 71.7%. On December 31, 1920, Germany's note circulation amounted to 80,800,000,000 marks and the gold reserve against this was 1.3%. In addition to the note circulation, Germany has a huge floating debt, amounting to over 150,000,000,000 marks, and while a portion of this is represented in the note circulation, yet much of it is held by the German public and the public has the privilege of discounting this debt at the Reichsbank, which institution may issue notes against it.

Germany financed her war largely through borrowings, whereas other nations attempted to obtain as much of the war expenses as possible through taxation. The result is that Germany today has a huge outstanding note circulation, which has made her currency practically valueless insofar as its gold reserve is concerned. This note circulation has also resulted in increased prices in Germany and it prevents prices from declining to the same level as that existing in other countries.

The German mark today is not convertible into gold, nor is it at all likely that it ever will be convertible into gold at the pre-war parity of 23.8 cents. At this writing, it is quoted in the American market at about one cent.

With the ending of the war, the British Government withdrew its support from the market for sterling exchange. The United States Government stopped granting further credits to our Allies and the foreign governments had no money to continue their purchase of our goods. Our huge exports, however, continued on the war scale for over a year, but this was due largely to open credits by American banking institutions. There came a time, however, when the American banks could no longer extend such open credits. The foreign governments had no further resources that they could pledge at the time, so our exports commenced to decline. It is the loss of this export trade that is the real reason for the depression existing today.

Today's Situation

When the foreign governments discarded the gold standard by suspending specie payments, the world had to find a new basis upon which it could trade internationally. The old bill of exchange had a certain specific gold value. No one knew what the value was of the bill of exchange drawn upon a country that would not and could not pay in gold. As a result, exchange fluctuated back and forth for a considerable period, trying to find its levels. It was finally settled upon the basis of the purchasing power of the currency of one country in another country. That is to say, the American dollar was worth as many francs in France as would buy sufficient goods which, if brought to the United States, could be sold for one dollar. This is the basis upon which all foreign exchange rates prevail today.

Naturally, it is not exact nor scientific, for the reason that it is impossible to determine exactly, owing to the lack of authoritative data, just what is the purchasing power of one currency in another. The only way that this can be obtained is to compare index prices of one country with another country. But this system of

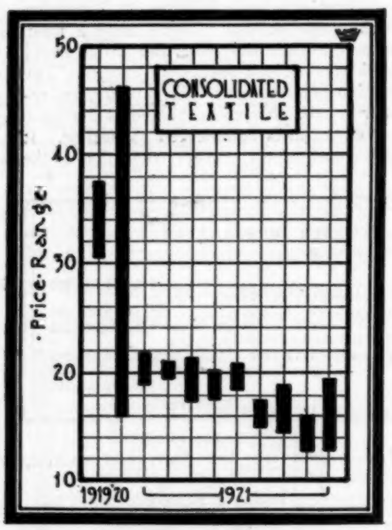
(*Continued on page 799*)

FIVE 1-PAGE ANALYSES OF
Industrial Corporations
"That He Who Runs May Read"

No. 1—Consolidated Textile

Large Profits to Be Made from the Rise in Cotton

BACK in the early part of 1921, Consolidated Textile passed the dividend on its common stock. Conditions in the industry were pretty bad then and no one wanted to go on record as one professing to see better things coming for a long period ahead. Under the circumstances, it was the obvious duty of the directors, acting in anticipation of a very lean period, to discontinue dividend payments.



However, there have been some very important changes in the industry since that period which are worthy of comment as possibly leading to a money-making conclusion on the stock of the company.

The most important factor bearing on the cotton textile industry in the past six months has been the extraordinarily rapid rise in cotton values which occurred in the latter part of August and which at the present writing is still continuing. A glance at one of the attached charts will indicate an appreciation in price from about 12 to 22 cents, or more than 80%. It is obvious that anyone who held cotton at the lower figures has a handsome profit by this time.

This is the case with Consolidated Textile. It is understood that this company bought in its full year's cotton requirements at very low figures and that it did so without "hedging" in the market, that is, that it bought in the staple without protecting itself by going short in the open market. This is a very unusual thing to do and under ordinary circumstances might have resulted in a considerable loss. However, assuming this report to be fact, the management probably felt that, with cotton selling at around 11 or 12 cents a pound, they could afford to "take a chance." The result is that by refusing to "hedge" on its purchases of raw cotton, the company has a very handsome profit to now show.

Of course, Textile is not going to sell its cotton in the market but will consume it in its own plants. The manufactured product, however, will be sold at higher prices so that the net result will be the same.

Another Feature

Another feature is that the advance of cotton, and consequently in cotton goods, has very materially increased the value of the company's inventories. As of last year (December 31) inventories were carried at $11,000,000 roundly. **With the great increase in cotton values and in cotton goods, there has been an appreciation of 25% at the very least in the value of the company's inventories, so that asset value has no doubt increased by $3,000,000 or $4,000,000 since tne beginning of the year.**

As to the ability of the company to dispose of a considerable part of its inventories there is no question. The demand for Textile's products, especially the famous brand, "Fruit of the Loom," has been and is still exceptionally heavy. Since Spring the company's mills have been practically operating at capacity and will probably continue to do so for the balance of the year and well into next year.

From a trade viewpoint, in other words, the company is in an exceptionally good position.

Strong Finances

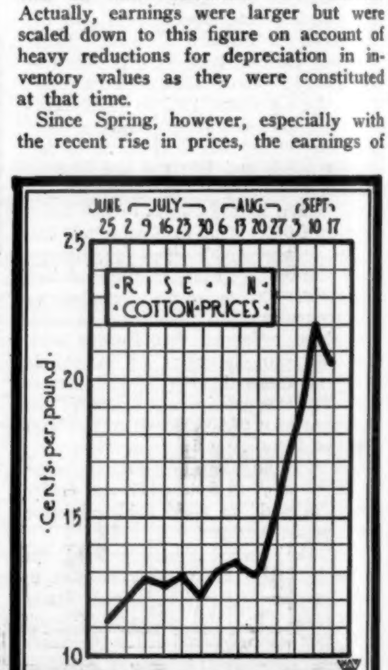
Consolidated Textile has completed an excellent bit of financing whereby out of a total authorized issue of $5,000,000 8% convertible bonds due 1941, $3,500,000 were sold for the purpose of retiring the $2,868,000 7% convertible notes due 1923, the balance of the proceeds of this financing being retained in the treasury. Obviously the company, by replacing the short-term issue by a 20-year bond has placed itself in a stronger position. Upon complete retirement of the bonds, which is announced for September 15, there will be only $3,500,000 of the above mentioned bonds as the total funded debt of the company.

Reference was made in a previous article on this subject to the acquisition of the B. B. & R. Knight, Inc., properties. The price paid was about $20 a spindle. Therefore, with a replacement value of around $60 a spindle, it is evident that Textile made an excellent investment. The Knight company is one of the largest factors in the business and its addition to the Consolidated Textile properties made the latter practically the largest single factor in the cotton textile business.

Current Earnings

Last year, earnings amounted to $1.81 a share on the 802,911 shares of outstanding capital stock (total authorized issue being 1,000,000 shares of no par value). This was a rather good showing considering the difficulties faced by the company during the latter part of the year when values dropped perpendicularly and there was no sure foundation for business. Actually, earnings were larger but were scaled down to this figure on account of heavy reductions for depreciation in inventory values as they were constituted at that time.

Since Spring, however, especially with the recent rise in prices, the earnings of the company have increased and undoubtedly will make a very favorable showing when the final return is made at the end of the year. No losses will have to be taken on account of inventory depreciation. On the contrary, it is very likely that they will be marked up as of the level obtaining at the close of the year.



The net tangible asset value of the stock is computed at about $33 a share, comparing with a present market value of around $18 a share. Figures are of December 31, 1920, however, so that

with the rise in the value of the company's assets the net tangible asset value will undoubtedly be greater at the end of the current year.

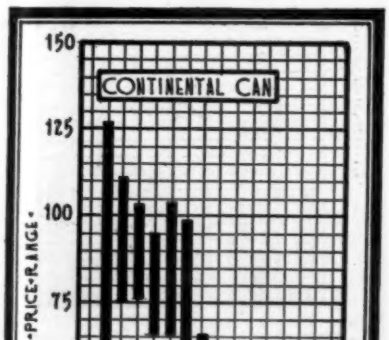
Everything points in favor of the company and consequently in favor of the stock. The latter, during the bear market of 1920-1921, declined from a price of about 46 to an absolute low of 13. At current levels, the stock is quoted at 16, so that it is still not far from its lowest figures despite the very evident improvement in the affairs of the industry in general, and in those of the company in particular.

While it is doubtful that dividends will be resumed this year, it is a reasonable assumption that, with continued progress, some sort of a disbursement on the capital shares will be made next year. From a market viewpoint, therefore, Textile stock appears to be in an exceptionally favorable position for an important advance within a reasonable period.

No. 2—Continental Can

Dividend Resumption Not Likely for Some Time

THE Continental Can situation became complicated during the early part of the year when it was evident that the packers, upon whom the company is dependent for most of its business, were going to face an unprofitable period. **With a number of packing concerns selling their product at a loss of from 25% to 50% during the early part of the year, when credit conditions were extremely stringent, the demand for new cans fell off to negligible proportions and the consequence was the rate of Continental Can's operations and thereby earnings commenced to fall.** It was only a question of time before the directors would be compelled to omit the common dividends, and when the news came out in the first week of September that payments on this issue had been suspended, there was no great surprise. As a matter of fact the persistent decline and liquidation of the stock over a period of several months showed which way the wind was blowing.



Immediate Prospects Not Encouraging

It cannot be said that the immediate prospect for this company is encouraging. The busy season, of course, is now in full swing but even with the addition of this normal business, it is to be doubted that the rate of operations over the full year will show more than 65%, or so.

Continental Can makes about 1,500,000,000 cans a year and obviously it can have no storage facilities to take care of such a huge amount. The fact is that the company makes no efforts to store its manufactured stocks but ships it directly to its various customers, who pay for the goods as they are used.

Last year, unfortunately, a considerable amount of cans was left over in the hands of the company's customers so that their needs are not pressing at this particular time. Further, the year's "pack" appears to be a relatively small one so the need for new cans will be lessened. All this of course has been unfortunate for the company but it accounts for the suspension of the dividends on the common stock and consequently for the large decline in the market value of the latter.

Owing to the falling off in demand for its products, the company last year found itself with a very large supply of tin-plate on hand, a very serious burden on the company's finances. The floating debt at the end of 1920 amounted to approximately $8,500,000, against cash and notes and bills receivable of only $3,500,000. The inventories at the end of that period amounted to nearly $9,000,000, so it can be appreciated that the financial position of the company was none too good at the period under discussion.

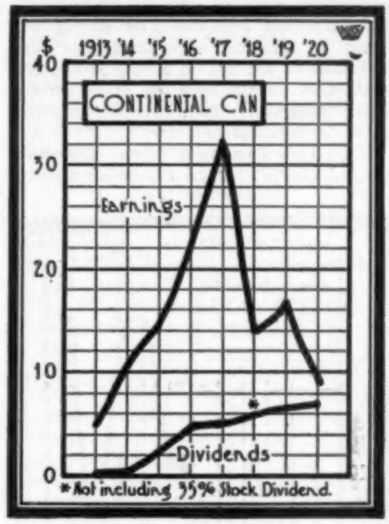
It is to be doubted that there has been much of an improvement since that time, however, on account of the relatively slow pace of business, although, of course, some benefit will accrue through the suspension of dividends on the common issue, which saves that much cash for the treasury.

The Outlook

While, owing to the short pack, there has been some improvement in the packing situation with reference to the financial end of conditions, especially with reference to the ability of these concerns to pay their bills, the fact is that this very circumstance of a small pack necessitates a smaller can requirement. **Consequently, the improvement in the packing situation which is due to reasons peculiar to that industry will probably not be immediately affected in the can company situation, except whereby these companies are put in a better position to collect the bills due them.**

On the other hand, owing to the stimulus of better conditions undoubtedly there will be every inducement to grow a larger pack next year so that the probabilities are that the demand for cans in 1922 will assume fairly respectable proportions. In that sense at least, the company is in a favorable position.

Continental Can stock has declined to about 40, which is about the lowest since pre-war days. As the attached chart on the price range of the stock shows, it is now selling at approximately the 1914 level, having lost all the ground it gained in the stock market during the past seven years. During that period, however, a



very considerable part of the war-earnings were ploughed back in the property. Thus, in 1914, the valuation placed by the company on its real estate, buildings, etc., amounted to $3,893,961, whereas this item amounted at the end of 1920 to $13,907,115. With the stock selling at present prices, absolutely no account marketwise is taken of the very great increase in the equity value.

As stated above, the immediate outlook for Continental Can is not encouraging. However, it is a very important company, the second most important in this business, and should recover with a recovery in general conditions and conditions in the packing industry, in particular. Dividends were suspended because of the tied-up condition of the company's finances but liquidation should continue and the company should gradually get into a more liquid position.

Next year will probably be a favorable one, all things being equal, and a fair rate of earnings should be shown. Dividend resumptions, of course, will depend upon how rapidly the company manages to liquidate its most pressing obligations. Considering their size, it is doubtful that complete success can be had along this line for a considerable period. For that reason, a resumption of dividends, say within six months or a year seems improbable.

However, the stock has good intrinsic value, the company is in an essential field and from a long-range viewpoint undoubtedly investment in this issue would turn out to be a profitable undertaking.

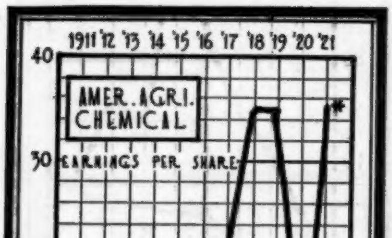
The stock has fluctuated since 1915 from a price of about 125 to a low several months ago of 35. The current price is in the neighborhood of the lower 40s. At this price it would seem to have discounted the situation in the company's affairs.

No. 3—American Agricultural Chemical

Terrific Losses Sustained Under Pressure of Depressed Agricultural Conditions—What Is the Outlook?

THE fertilizer companies in the year 1920-1921 had to sustain the shock of the worst period in the history of the industry, and for the most part they did not do it successfully. Profits which were built up during the years of the war were completely lost and finances got into so entangled a shape that, even in the case of some of the larger companies, fears were entertained as to the ultimate outcome.

The American Agricultural Chemical Co., of course, was no exception among the fertilizer companies. In one brief year—from June, 1920, to June, 1921—it lost practically all its surplus. All the accumulated earnings of the war-years went up in smoke. The crash of the farming industry, particularly in the South where the effects were felt most keenly, left the company nearly prostrate. Such were the kaleidoscopic changes in this industry.



Factors in Depression

The main factor leading to the unfavorable position of American Agricultural and the other fertilizer companies was the acute depression in the agricultural industry, particularly in cotton and tobacco, the main staples of the South. Inasmuch as two-thirds of the fertilizer output goes toward cotton and tobacco planting, it will be appreciated that the slump in the prices of these commodities and, consequently, in the purchasing power of their growers, led to a severe falling off in the demand for fertilizers. With cotton and tobacco at a very large discount and with comparatively little demand for these products for many months the farming interests naturally experienced stringent conditions. Not only were they unable to make new purchases but they were not able even to pay the bills held against them.

Obviously, companies which did business with these people found themselves in an unfortunate position. They could not collect. In the meantime the value of their inventories declined very considerably and bills were presented for payment which it was difficult to meet on account of the serious financial conditions prevailing.

A. A. C.'s Balance Sheet

The American Agricultural Chemical balance sheet for the year ended June 30, 1921, affords a very interesting example of how the fertilizer companies compared during the black days of the South. Of greatest significance and the one which truly portrays the then existing situation is the fact that the year's operations resulted in a deficit after all charges and depreciation amounting to $35 a share on the common stock, against a net profit of $11.21 a share the year previous. The deficit, including $5,000,000 for inventory adjustment, which roundly amounted to $11,000,000, brought down the company's surplus from $18,100,000 to $2,600,000. This tells the story of American Agricultural Chemical during the fiscal year 1920-1921.

Accounts and notes receivable stood at $43,000,000, a tremendously large figure, being in fact almost twice the pre-war average. Inventories, while cut down by $5,000,000 to $18,000,000, were nevertheless twice the load carried in normal times. Notes payable showed only a small reduction, from $17,800,000 to $15,500,000, despite the fact that the company sold $30,000,000 7½% bonds, for which it received about $24,000,000 cash after paying off $5,035,900 debenture bonds. Nevertheless, the accretion of new cash helped the company along at a critical time and its finances may be considered in a better position now by virtue of that fact.

As a result of the smash in the company's business, cash dividends on the common stock were discontinued. The present rate of payment is in the form of 2% stock dividends quarterly, and it may be pertinent to inquire why a company which has received such a severe set-back as has American Agricultural should make any form of payment on its junior stock. Possibly the reason is that there are over 13,000 shareholders, of whom more than half are women and trustees, who would be in an unfortunate position if they were deprived completely of their income from this source. Apparently the action of the directors in maintaining the stock dividend is prompted by philanthropic motives. Obviously, under the circumstances, it is not warranted from a business viewpoint.

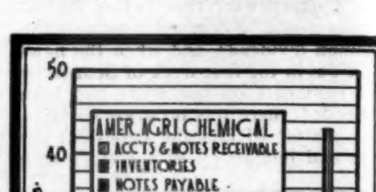
Last week the directors passed the dividend on the preferred stock, which did not come as a surprise to the financial community. This would seem to make the long-continued maintenance of stock dividends on the common stock somewhat of a problematical matter.

However, with the improvement which is bound to come into the company's affairs next year—alluded to in the following—this issue should be put back on the dividend-paying list. At current prices of around 60 it is a good long-range speculative investment for the man or woman in a position to tie up their funds without return for a period, say of a year or so. As this issue is cumulative, however, there should finally be no actual loss from stoppage of dividends.

Conclusion

During the past month, as all investors know, there has been a distinct improvement in the cotton situation. Prices have risen greatly and the prospects are that the South will now be able to extricate itself from its embarrassed financial position. **Undoubtedly, American Agricultural Chemical will profit from this development, first because the rise in cotton values will give the farmers an opportunity to pay off debts and make new purchases and secondly because the fields are acutely in need of fertilizers, having been deprived of this sustaining power for a considerable period.**

The earnings of the company should show an increase under the circumstances. However, the funded debt of the company has been considerably increased during the past year so that common shareholders are not likely to share in any increase in earnings for a very considerable period.



Despite the fact that the improvement in the South and in the prospects thereby of the fertilizer companies may be seized upon as a pretext for a bullish demonstration in this issue, it cannot be regarded as other than a speculative proposition, although it has enjoyed a pseudo-investment reputation for many years. As a matter of fact, it is difficult to see why the junior issue of this company should enjoy the rating which it does, considering that its earning power has been of a very erratic nature.

Certainly this issue cannot compare with Virginia-Carolina Chemical common which is actually selling a few points lower. In our opinion the latter is an eminently more desirable issue and in the long run will turn out to be a more profitable investment.

No. 4—American Bosch Magneto

In Comfortable Financial Position—Should Do Well Next Year

THE American Bosch Magneto Corporation is directly affected by conditions in the auto truck and farm equipment industries. Approximately 80% of the company's business is derived from these sources and the passenger end of the automobile business plays a relatively minor role in the affairs of this organization.

Since the latter part of 1920 conditions in both the automobile truck and tractor fields have been very poor. The result has been that the demand for magnetos and other accessory equipment for these classes, heretofore largely supplied by American Bosch Magneto fell off rather substantially. Possibly the fact that the company has not seen fit to reduce the price on its magnetos has had something to do with this. At any rate, the result has been to considerably lower its earnings. **Thus, whereas in the full year 1920 earnings amounted to $15.31 a share, in the first six months of this year, the company had an operating deficit of about $50,000.**

Recovery Outlook

It is quite obvious that a recovery in the company's income is to a very great extent dependent on a recovery in the automobile and tractor manufacturing industries. Thus far signs of this have been faint but with the hoped for improvement in general business conditions and with the already noted improvement in the agricultural situation, it is probable that next year will see an improvement in the demand for trucks and tractors and consequently for the products manufactured by Bosch Magneto.

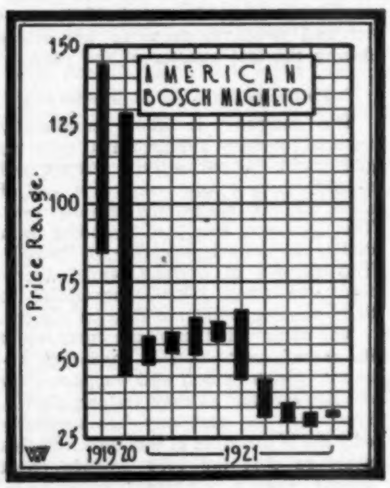
About a year ago the management of the Gray & Davis starting and lighting plant at Cambridge was taken over by contract, and also its lamp works at Amesbury, Mass. The Bosch people put in their own personnel in charge of the factory operations. The product is handled by the Bosch selling organization, for which a 10% commission is received. This semi-acquisition of the Gray & Davis business later turned out to be a profitable move when the Bosch company signed up a contract for the delivery of starting, lighting and ignition systems for the Hudson and Essex automobile companies. The new business, on which first delivery is to be made November 1, will amount to between 2,500 and 5,000 systems a month, amounting to between $2,500,000 and $5,000,000 gross business annually. Inasmuch as the Gray & Davis operations will be directly increased by virtue of this new business, it is apparent that the working arrangement between these people and American Bosch will turn out very profitably for both.

Incidentally, the Hudson and Essex contracts came along at a good time because the company is suffering rather keenly from the comparative lack of business from truck and tractor sources. The new business should help out the company until the time comes when the major sources of demand for its products show an improvement.

Working Capital Increase

Analysis of the balance sheet as of the end of 1920 discloses some significant changes. Thus, there appears an item for $1,059,999 notes payable, which was a new feature, no such item appearing in previous reports. While this amount was balanced by a practically equivalent amount in notes and accounts receivable, the expansion of inventories from about $3,000,000 (as of the end of 1919) to $4,344,000, made new financing an almost inevitable thing, considering that the outlook for any important reduction of the inventory was very poor. Consequently, steps were taken to eliminate the floating debt and provide much-needed working capital through the sale of a $2,500,000 8% note issue.

The bonds were sold at the end of last May and, together with the cash received through its ordinary business channels, the results have been sufficient to place the company in a comfortable financial position.



American Bosch Magneto manufactures about half of the world's supply of magnetos. It has an excellent trade-name and may be considered one of the most important factors in the automobile accessory business. From a strictly business viewpoint, therefore, the company recommends itself to the serious investor.

Although the capitalization has been increased by $2,500,000 bonds, the amount involved in interest payments on this issue is small compared with the earning power of the company in a normal period. There are only 96,000 shares of capital stock outstanding, of an authorized issue of 100,000 shares. In 1919 and 1920 earnings on this issue amounted to $15.37 and $15.31 per share, respectively. While it is hardly likely that such a performance can be duplicated in the near future, there is no reason to disbelieve in the company's ability to earn at least a moderate amount on this small capitalization.

Conclusion

The stock has had a very great decline, selling down from 143 in 1919 to a recent price around 30, the lowest in the history of the company. Present quotations are about 34, so that the stock is still selling near its record low figures.

The market for this issue is not a broad one but it has its swings occasionally. While dividends, which were passed last June, are hardly likely to be resumed for some time, it is a reasonable assumption that with the likely improvement in the company's earnings next year the directors, who seem to favor a liberal policy, will see fit to restore the stock to the dividend-paying class.

From a long-range viewpoint, therefore, this issue is very attractive.

The automobile and accessory issues at the present time are not in particularly good favor as is it an "open secret" that business will not be very good for the balance of the year. In fact there have been instances of the near-by trend as seen by the unusual advertising campaigns going on and the large number of price cuts for passenger cars and trucks. Also the volume of sales is falling.

However, next Spring should see business on a better scale. The automobile industry has powers of remarkable recovery and this was illustrated last Spring when conditions in this industry took a surprising turn for the better. All things equal, there is no reason why the same thing should not happen as soon as the Winter months are over, and therefore, so far as business next year is concerned, this company and other strong organizations should be able to do better than break out even.

AMERICAN BOSCH MAGNETO

BALANCE SHEET AS OF DEC. 31, 1920

Assets—		**Liabilities—**	
Property, plant and equipment	$2,830,409	Capital stock and surplus	$8,184,363
Patents and tracings	504,170	7% serial gold notes	......
Stock in other companies	250,238	Deferred credits	33,060
Deferred charges and prepaid expenses	484,560	**Current Liabilities—**	
Current assets—		Accounts and notes payable	1,273,063
Cash	332,806	Gray & Davis account	135,938
Notes and accounts receivable	1,050,381	Employes' subscription account	67,186
Inventories	4,344,787	Accrued liabilities	20,858
Accrued interest	.....	Reserve for taxes	191,670
Liberty Bonds and other investments	......	Total current liabilities	$1,678,660
Total current assets	$5,736,704	Total liabilities	9,896,083
Total assets	9,896,083	Net assets	$79 per share
Working capital	4,058,044		

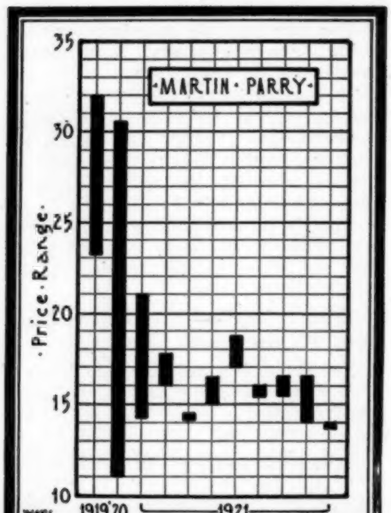
No. 5—Martin-Parry

A Neglected, But Sound, Motor Accessory—Shares Look Cheap

THE stock of the Martin-Parry Corporation, although it is listed on the New York Stock Exchange, is not well known to the general investing public. The issue is very seldom quoted, being closely held by those who have been connected with the company for years. Nevertheless, there is a sufficient amount of the stock available to make this issue a matter of practical interest to ordinary investors.

History in Brief

The Martin-Parry Corporation is a merger between the Martin Truck & Body Corporation and the Parry Manufacturing Co. The former was originally a manufacturer of buggies, wagons and carriages until the end of 1915 when it entered extensively into the field of truck and commercial body manufacturing for automobiles.



The history of the Parry Manufacturing Co. is about the same, the company having ceased the manufacture of buggies three years ago and ultimately confining itself to the exclusive manufacture of commercial automobile bodies. The merger between these two companies was effected June, 1919, with Martin-Parry, as a result of the merger, becoming an operating company.

The two plants of the company are situated at York, Pa., and Indianapolis, Ind. Both plants have been enlarged from time to time and are now efficient operating units on a rather large scale. During 1920, the company radically changed its methods of building commercial bodies, necessitating extensive alterations of both plants. The result has been to lower manufacturing and transportation charges by a considerable margin and to substantially increase the potential capacity of the plants.

The company is somewhat peculiarly situated in respect to other concerns in the automobile industry in that most of its output is directly for the Ford Co. account. In fact, last year about 80% of its output went to the Ford factory. On that basis, the company is more or less dependent upon the rate of activity in the Ford plants.

This year, Ford is understood to have had his most active year so the Martin-Parry Corporation must, of necessity have done well, too. According to the statement of the company, earnings during the second quarter of the year amounted to about $1.00 a share on the 100,000 authorized and outstanding shares of capital stock. This amount alone was sufficient to cover dividend requirements for the two quarters, the dividend rate being 50 cents a share quarterly.

The probabilities are that the company will have equalled this record during the third quarter, so that the full year's dividends should be covered by earnings in the second and third quarters alone, without taking into consideration earnings during the first quarter and whatever earnings are made during the last quarter of the year.

Financial Position Satisfactory

The company is in a satisfactory financial position although not quite so good as at the end of 1919. At the end of 1920, current assets showed a loss of about $300,000 against the previous year. This, however, was partially offset by a decline in current liabilities of $115,000. The net loss in working capital, therefore, was about $185,000 amounting to $1.85 a share, truly not a great amount.

The main criticism of the company is its rather over-balanced inventory account, which is not well supported by the liquid assets as they are constituted. However, the company has undoubtedly made progress in this direction this year, so that the 1921 balance sheet should make a respectable appearance.

Progressive Management

The Martin-Parry management seems to be a sound, hard-working body with an eye toward the real building up of the company's business. For the purpose of being of greater assistance to dealers, consequently increasing its own business with these people, the company is about to open up seven new assembling and distributing branches in the following cities: Philadelphia, Cleveland, Pittsburgh, Detroit, St. Louis, Kansas City and Newark. This is in addition to seven other plants located in other principal cities of the United States.

The Outlook

With the company managing to make a very good showing despite one of the most depressed periods in the history of the country, it has evidently a great deal to look forward to in a more prosperous period. The product may be considered a staple one in these modern times and there is no reason to anticipate that the demand will show a material falling off in future years, ignoring the changes incidental to the ordinary ebb and flow of business. The management is conservative, knows its business and has built up a sound, well-established concern.

Martin-Parry's finances, while they might be improved upon, make a fairly good showing in comparison with a number of other concerns in the same general field. The earnings of the company have been satisfactory and will be so this year. This record should be continued, even under ordinary conditions. The capitalization is modest, consisting of only 100,000 shares of capital stock, there being no bonds or preferred stock authorized or outstanding. On such a small capitalization, on the basis of the business done by the company, it is not difficult to earn a fairly considerable amount.

MARTIN-PARRY

As of Dec. 31.

Current Assets	1919	1920
Cash	$123,312	98,782
Accounts receivable	320,710	133,509
Notes receivable	......	38,902
Liberty Bonds	12,600	......
Inventories	1,300,881	1,186,451
Total	$1,757,503	$1,457,684
Current Liabilities		
Accounts payable and accruals	$215,079	$74,961
Federal taxes	39,866	65,636
Total	$254,945	$140,597
Net working capital	1,502,558	1,317,087
Net per share	$15.02	$13.17

Conclusion

The stock is currently quoted at about 13, where it seems relatively **cheap, especially considering the fact that $2 dividends are being paid and probably will continue to be paid. At this price, the yield is about 14%.**

The stock, has fluctuated in the past two years from 31 to about 11, the lowest price, so that at present levels it is selling near the lowest figures in the history of the company. Net asset value is computed at $27.70 a share, as of Dec. 31, 1920.

The stock may be considered one of the most attractive low-priced issues on the New York Stock Exchanges.

The Price of Safety

It is perhaps a sad jest that all investments are high grade until they turn otherwise. The meaning, of course, is that conditions may alter the character even of the best of bonds or other investment issues and that securities of this gilt-edge order have potentialties for turning into something of a quite different character. There are unfortunately many instances in the security market of hitherto excellent issues developing pronounced speculative characteristics, although it is not to be understood from this, however, that the average high-grade security is subject to suspicion. It is not, but the point raised is that there are always possibilities of an adverse nature and that, therefore, the investor should be careful to watch his holdings at all times.

The price of safety is eternal vigilance. It behooves the investor to hearken to this caution. No investment should be put away and forgotten. The only kind of investment which should be forgotten is the kind which has turned out so bad as to be absolutely irretrievable.

Railroads

Railroad Preferred Stocks

Some Strikingly Good Opportunities for Investors and Speculators

By **ARTHUR J. NEUMARK**

THE present seems to be an excellent time to throw some light on the various railroad preferred stocks listed on the New York Stock Exchange. The majority of these securities are selling very close to the lowest prices they have ever sold at and with the very much improved rail outlook and the continued easing of money rates it should not be long before there is a decided turn for the better among this class of security.

There are offered, in this group, many possibilities for sound and attractive investment as well as excellent speculative opportunities. As a group railroad preferred stocks are something investors should not overlook, for generally speaking a high grade railroad preferred is better than a high grade preferred of an industrial company. Industrial companies, as a class, are subject to so many more uncertainties and dangers, that railroad preferred stocks should really be given the preference, everything else being equal, when the objective is a sound investment security, or even in the case where speculative issues are sought. The risk, as a rule, is not so great as with the industrial company. In the following article the railroad preferred list has been pretty thoroughly combed and the reader will be able to obtain a rather complete idea of what the various issues offer.

The writer has grouped these stocks into two classes in the accompanying table, namely (1) Sound Investment Stocks. (2) Speculative-Investment Stocks. Each one of these securities is discussed briefly in this article for the purpose of aiding the readers of THE MAGAZINE OF WALL STREET in the selection of any of them. The two groups have been arranged in alphabetical order, and therefore the order in which these securities are discussed does not necessarily mean the order of their preference.

Atchison 5% Preferred

Very little need be said about the soundness of this road. Atchison has long been considered one of the best of the standard rails, and its securities enjoy a very high investment rating on the New York Stock Exchange. There is $124,173,700 of the preferred stock outstanding, which is followed by $224,715,500 of common stock, with a market value of over $191,000,000. The preferred stock has an uninterrupted dividend record since 1900. The stock is non-cumulative. The margin of safety for this stock is very large. Earnings of the company since 1910 have averaged 21.2% on the 5% preferred stock, or over four times dividend requirements. In only one year since 1910 did Atchison fail to earn less than 17% on the preferred stock and that was in 1920, when the road just managed to cover the $6,208,685 dividend on the preferred, which was good compared with the operating results of the majority of the roads in that year. This stock may well be placed in the same class as a good bond, for its security as to earnings and assets is as high as anyone could wish for in the purchase of a bond. That this is the opinion of Wall Street and the investing public is reflected in the selling price of the stock. Atchison preferred sells around $80 a share, at which price the yield is but 6.2%, or little better than the yield on high grade railroad mortgage bonds, and less than the yield on a good many high grade industrial mortgage bonds. The price of this stock is governed to a great extent by existing money rates, and when the return on capital is smaller than the prevailing rate to-day this security will sell at considerably higher prices. The stock has sold as high as 102 in the last five years and normally always sells between $95 and $100 per share. Since 1901 the stock has never sold below $70 a share. Investors can safely purchase this security and expect an attractive appreciation in value within the coming year.

RAILROAD PREFERRED STOCKS

Sound investments	No. of shares outstanding	Dividend rate	Current price	Present yield	High (in last 5 yrs.)	Low (in last 5 yrs.)
Atchison	1,241,737	$5	$80	6.2%	$102	$72
Cleve., Cin., Chic. & St. L.	470,267	5	64	7.8	86	58⅜
Colorado & Southern 1st	85,000	4	54	7.2	62½	46
N. Y., Chic. & St. L. 2d	109,998	5	67⅝	7.4	90⅜	50
Norfolk & Western	229,983	4	67½	5.9	(a) 70	64
Reading 1st	560,000	2	40	(b) 5.0	61	33
Union Pacific	995,435	4	65	6.2	85	61¼
Speculative investments						
Baltimore & Ohio	588,682	4	51	7.8	80	38⅝
Chic., R. I. & Pacific	294,221	7	77	9.1	88	44
Kansas City Southern	210,000	4	51	7.8	64⅜	40
St. L.-San Fran. (bonds)	$38,608,793	6%	69½	8.6	..	..
Western Pacific	275,000	6	60	10.0	78	35½

(a) Two year range. (b) Excluding "rights."

Big Four 5% Preferred

The preferred stock of the Cleveland, Cincinnati, Chicago & St. Louis R. R. (Big Four), while not of as high a character as Atchison preferred, is nevertheless a very sound security with attractive possibilities at current levels. The Big Four is controlled by the New York Central R. R. through ownership of $30,207,700 of the $47,028,700 outstanding common stock. Big Four is one of the most prosperous of the New York Central's subsidiaries. The company is conservatively capitalized and it has always been the policy of the parent road to put the earnings above preferred dividend requirements back into the property. Although Big Four has earned large balances on the common stock in recent years the company has not made any disbursement to the parent company. As a result of this policy the company has built up a profit and loss surplus of about $11,000,000, compared with a debit balance of $1,031,573 in 1915, and this surplus would be considerably larger to-day if it hadn't been for a fixed rental for the period of Government control. Big Four was one of the very few roads to earn a considerably larger balance than was obtained from the Government. Earnings for the past six years have averaged approximately 62% per annum on the 5% preferred stock, or over 12 times dividend requirements. In 1913 and 1914 the road failed to cover its interest charges and the preferred dividend was omitted in these two years. The poorer operating results during this period was due to very excessive maintenance charges and the business depression which existed particularly in the large industrial centers of the east. In the five years prior to 1913 the company earned its preferred dividend substantially over and paid it in each of these years. Except for the two years above mentioned Big Four has paid its preferred dividend regularly since 1908. The stock is non-cumulative. The preferred stock is followed by the common stock, which has a market value of close to $17,000,000. The preferred stock is now selling around $64 a share, at which price the yield is 7.8%. While the earnings of this road are subject to greater fluctuations than those of Atchison, and the stock is not as well seasoned, the preferred stock is nevertheless a safe investment and very attractive at present levels. The higher yield on this security compensates the investor for the slightly greater risk, and in addition there are possibilities for a larger enhancement in

value. This stock sold as high as 101½ in 1912, and prior to that used to sell above par regularly.

Colorado & Southern 4% 1st Preferred

The Colorado & Southern Railway is a subsidiary of the Chicago, Burlington & Quincy R. R., which is in turn controlled jointly by the Great Northern and Northern Pacific Railroad companies. This issue is in very much the same class as the Big Four preferred stock, although the market for this security is much narrower than in the case of the former stock. There are only 85,000 shares outstanding and the shares are very inactive. For this reason this issue is not as desirable a purchase as either of the previously mentioned ones. As to security and earnings, however, there is very little to choose from between this issue and the Big Four preferred stock. This issue ranks ahead of the second preferred stock, which also pays 4%. Dividends have been paid regularly in every year since 1900 with the exception of 1905 and 1915. Earnings of the company have averaged 21.1% for the past ten years on the 4% preferred stock, or over five times dividend requirements. In only one year in this entire period did Colorado & Southern fail to earn sufficient to cover the first preferred dividend and that was in 1920, when because of high operating costs the road fell short of earning its fixed charges. The stock is now selling around $54 a share, at which price the yield is 7.2%. While this stock is attractive at this level it is not as desirable a purchase as the Big Four preferred stock.

Nickel Plate 5% 2nd Preferred

The New York, Chicago & St. Louis R. R., otherwise known as Nickel Plate, has been doing exceptionally well of recent years. The road seems to have been getting even more than its normal share of the North Central traffic. The road is conservatively capitalized and is well able to earn substantial balance on the common stock. The reason for selecting the second preferred stock in preference to the first preferred is because of the very few shares of the latter outstanding and the extremely narrow market existing for the issue. The second preferred is also a small issue (there are 109,998 shares outstanding), but this is twice as large as the first preferred issue. The important feature about this issue is that it shares equally with the first preferred and common stocks in the earnings of the company in excess of 5% on the common stock. This is likely to prove a very valuable feature, for the earnings of the company in the past few years have been substantially in excess of the 5% requirements on the common stock, although no distribution was made on this class of stock. Dividends on the second preferred stock have been paid regularly since 1901, with the exception of 1914 and 1915. While no payment was made in 1915 the 5% dividend was earned. Earnings for the past ten years have averaged 12.4% on the 5% second preferred, or over twice dividend requirements. For the past two years and for the current year earnings have averaged about 20% or about four times dividend requirements. The second preferred stock is now selling around $67½ a share, at which price the yield is 7.4%. The stock is non-cumulative. It is now selling as high as it has ever sold within the last six years, no doubt due to the exceptionally large current earnings of the road. As the margin of safety for this issue does not seem to be as high as that of the previously discussed roads, and the earnings are subject to wider fluctuations this stock can hardly be considered as safe. It is a question whether or not the road can maintain the present rate of earnings, and in the opinion of the writer Nickel Plate will be able to. The road operates in a very prosperous section of the country and should be able to obtain its full share of future business. In this case the stock would sell considerably higher, and the possibilities of extra disbursements on all classes of stock would be much brighter. The stock is a good investment with very excellent speculative possibilities.

Norfolk & Western 4% Preferred

The Norfolk & Western Ry. has long been the best paying coal carrier in the Pocahontas region and its preferred stock enjoys a rating almost as high as the soundest mortgage bond. The reason for this is quite obvious. Norfolk & Western has paid dividends regularly in every year since 1900, and has always reported earnings far in excess of the dividend requirements of this issue. The only exception being in the year 1920, when the road lost a good deal of its valuable traffic through government diversion of traffic and was severely handicapped by high operating costs, whereas its chief commodity, coal, brought but a comparatively low rate. For the nine years ended December 31, 1919, earnings averaged 53% per annum on the 4% preferred, or over 13 times dividend requirements. In the current year earnings are running at the annual rate of 5% on the common stock. The preferred stock is followed by $22,992,300 of common which has paid dividends ranging from 2 to 7% in every year since 1901. The common stock has a present market value of over $155,000,000. The preferred is now selling around 67½, at which price the yield is but 5.9%, or about the same as exists for high grade mortgage bonds. This stock can be as safely purchased as a bond but it does not offer such exceptional opportunities for enhancement in value as the issues previously discussed.

Reading 4% 1st Preferred

The value of the shares of the Reading Company has been subject to a considerable difference of opinion since the dispute between the holders of the preferred and common stocks as to the respective rights of each issue. Regardless of the outcome of this dispute the preferred shareholders seem assured of sharing in any distribution of assets, as the company has declared its intention of submitting a new plan should the dissenting common stockholders win their point that under the present plan they are entitled to the entire distribution of assets. Reading first preferred is selling around $40 a share and pays an annual dividend of 4% on the $50 par value stock, or $2 a share. This would give the purchaser a yield of 5%, without taking into consideration the value of the rights which attach to this class of stock under the present plan or would probably be attached to the stock under any plan. The rights are now selling around 16½. Thus at current levels the first preferred stock would really cost the purchaser but $23½ a share, at which price the stock would yield 8.5%. This is an exceptionally attractive yield for a high grade preferred stock, and offers an exceptionally good opportunity for substantial enhancement in value. Dividends of $2 a share have been paid regularly since 1903, and the company should be able to maintain this rate in the future from rail road operations alone. Earnings for the last ten years have averaged 40% on the 4% first preferred stock, or ten times dividend requirements. Once the legal questions involved in the segregation of the coal properties are settled this stock should sell considerably higher. This stock is a very attractive investment.

Union Pacific 4% Preferred

Here we again have a security of the highest calibre; one which the investor can safely purchase at these levels and be almost assured of a fair appreciation in value within a reasonable length of time. Union Pacific preferred is selling to give the same yield as Atchison preferred, that is at $65 a share or a yield of 6.2%. Dividends on this stock have been paid regularly since 1900, and earnings have at all times been substantially in excess of dividend requirements. Earnings for the past ten years have averaged over 38.5% on the 4% preferred stock, or more than 9 times dividend requirements. There are 995,435 shares of the stock outstanding. The stock is non-cumulative. The preferred stock is followed by $222,293,100 of common stock which has a current market value of $266,751,000. The company has maintained a 10% dividend rate in every year since 1907 on the common stock and has paid dividends of at least 3½% in every year since 1900. The preferred stock sold as high as 85 as recently as 1917 and 75 in 1919. It is now selling within four points of the lowest price it has ever sold at. The stock is a very attractive investment at current levels.

Baltimore & Ohio 4% Preferred

The Baltimore & Ohio preferred stock has enjoyed a much higher rating in years gone by than it does at present, but the present comparatively low price of the stock makes it an attractive purchase. The Baltimore & Ohio R. R. is essentially a coal carrying line. Its lines tap the rich coal fields of West Virginia and extend to some of the leading cities of the middle west. During the war the Government diverted a great deal of the road's most valuable traffic to the roads which could handle it by the shortest route. Then again the Government control of the destination of all the coal produced upset the normal routing of this commodity. These factors combined with high operating costs played havoc with Baltimore & Ohio earnings, but it is the writer's opinion that the road will regain a large amount of this traffic and will be able to cover preferred dividends with ease. In 1918 and 1919 B. & O. did not earn sufficient to cover fixed charges and in 1920 it did not even cover its operating expenses. In the current year earnings have improved considerably and the

road will no doubt fully earn its preferred dividend. For the seven years to December 31, 1917, the road's earnings were very regular, and the preferred dividend was substantially earned in every year. Earnings averaged 19.5% on the 4% preferred stock, or almost 5 times dividend requirements. Dividends on this class of stock have been paid regularly since 1900. (The stock is non-cumulative.) This is a very good record, and one that should convince the investor that under normal conditions the road will have no difficulty in earning the preferred dividend, but the road has an earning power even greater than indicated by the above facts. Prior to 1917 B. & O. earned substantial balance on the common stock, and paid dividends on this stock in every year from 1900 to 1919 inclusive. It would therefore seem that the present selling price is entirely too low for so seasoned a security, a price which no doubt reflects the investors' lack of confidence in the future of the Baltimore & Ohio system. The stock at 51 yields 7.8%. It is the belief of the writer that a purchaser of this security at current levels will some day be able to sell it from fifteen to twenty points higher. The stock as recently as 1917 sold as high as $77 a share.

Chicago, R. I. & Pacific 7% Preferred

We here have a stock a few steps removed from the grade of security we have been discussing before. The above mentioned securities may well be considered the cream of the railroad preferred stock, the best investments that are to be had in this group. We have here a security which is not so well seasoned as the other stocks and where the element of risk is greater. For the investor who is seeking a reasonably secure stock, which has greater speculative possibilities and gives a larger return on the investment in lieu of the higher degree of safety, the 7% preferred stock of this company would meet the requirements. The Rock Island system was reorganized in 1917. Interest charges were scaled down approximately $3,000,000, and the present issues of 7 and 6% preferred stocks were created. There are 294,221 shares of the 7% preferred stock outstanding, which calls for an annual outlay of slightly over $2,000,000 in dividends. The basis for faith in this road would be found in its pre-war earnings. In the four years prior to 1915 Rock Island earned substantial balances on the common stock and paid dividends of 5% on this class of stock in three of the four years. Rock Island handles the largest volume of business of any of the roads in the southwest district, and its lines extend through rich and fertile sections of the country. Since reorganization the road's earnings have been far below expectations. Gross has increased satisfactorily, but net earnings in 1918 and 1919 dwindled to less than half of the previous years' results, and in 1920 net was almost wiped out entirely. This, however, is a very abnormal condition for Rock Island, and normally the road should be able to make a considerably better showing. Operations for the current year are already showing this to be true. For the first seven months earnings were at annual rate of about $1.55 a share on the 6% preferred stock (the 6% preferred stock is subsequent in lien to this issue) which is by far the best showing the road has made since reorganization. One very important feature of this stock is that it is cumulative up to 5% per annum. The outlook for the rest of the year is bright and it is quite likely that the year's operations will result in a balance for the common stock. The company has paid dividends on both preferred stocks regularly since the reorganization. The 7% preferred stock is now selling around 77, at which price the yield is 9.1%. This appears to be a very attractive speculative investment.

Kansas City Southern 4% Preferred

The preferred stock of this company is selling at the same price as the preferred stock of the Baltimore & Ohio R. R., but in the opinion of the writer it is not worth as much as the latter stock. The situation is simply this: While the Kansas City Southern preferred is worth every bit of $51 a share and probably more, the Baltimore & Ohio preferred stock is selling much below its real value. This is no doubt due to the fact that the earnings of Kansas City Southern have been very much better, proportionately, in the last few years than the earnings of Baltimore & Ohio. This condition has held right up to date, but in view of the past performance of the road it does not seem likely that this condition will last for long. The Kansas City Southern system is only about one-sixth the size of Baltimore & Ohio. The road operates in the southwest, and under almost any conditions the volume of traffic it can possibly handle will be very limited for some time to come. The territory it serves is developing rapidly, but it is not to be expected that it will be able to furnish the road with any more traffic than it did in the last three years, when the road earned the preferred dividend in one year and failed to do so in the other two. The road has never earned the preferred dividend by a very large margin, the best year being 1917 when the dividend was earned three times over. Earnings for the past ten years averaged 6% on the 4% preferred, or about 1½ times dividend requirements. Nothing was ever paid on the common stock. The preferred stock has paid dividends regularly since 1907. Another factor which makes the stock considerably speculative is the asset value behind it. The Interstate Commerce Commission's tentative estimate of the cost of reproduction of the properties on June 30, 1914, was $52,000,000, which was about one-half of the book value of the properties. This valuation would cover the funded debt of the company, but leave less than $5,000,000 available for the preferred, or make it worth about $17 less per share than the present selling price. All in all the preferred stock of this company must be considered as speculative. The issue can hardly be considered as attractive as the others previously discussed.

St. Louis-San Fran. Adjust. Mtge. 6s

In discussing this issue we are veering somewhat from our course, but only because this bond may well be considered in the same class as a preferred stock. It does not constitute a fixed charge of the company, for interest is only required to be paid when earned. Interest is cumulative and all back interest on this issue must be paid before there can be any distribution on the Income Mortgage Bonds. This road was reorganized in 1916 and fixed charges were scaled down approximately $3,000,000. This issue and the Income Mortgage Bond issue were created in the order named. There are $38,603,793 of these bonds outstanding. The road has earned the interest on these bonds in every year but 1920, when it just managed to cover fixed charges. For the four years ended December 31, 1919, earnings averaged 2.4 times interest requirements on this issue. For the current year earnings are running well in excess of any previous year. As a mortgage bond the issue is pretty far removed from the property, but there are sufficient assets to allow for one hundred cents on the dollar. The bonds are now quoted around 69½, at which price the investor would receive the very handsome yield of 8.6%, and if held to maturity a yield of 8.9%. This is an extremely attractive return on the investment and offers very remarkable speculative possibilities. The bonds are not yet seasoned but in time will probably sell much higher. The Frisco system has demonstrated a very satisfactory earning power, and it operates a large system in a prosperous and growing section of the country. This is a really excellent speculative investment.

Western Pacific 6% Preferred

The best that can be said for this stock is that it has excellent speculative possibilities. The Western Pacific Co. has recently acquired the Denver & Rio Grande R. R. in settlement of a judgment against this road. The acquisition of this road should be of great advantage to Western Pacific. Operated separately neither Western Pacific nor Denver & Rio Grande were able to make a very profitable showing, but as one system much better results should be obtained. If we combined the operating results for 1920, which both roads should be able to improve upon in normal times, we would arrive at a figure of about $3,700,000 available for the preferred dividend of $1,650,000, or about 2.3 times requirements. The earnings of both roads have been disappointing thus far this year. Combined operations for the first seven months were only at the annual rate of about 61% of fixed charges. The Denver & Rio Grande R. R. suffered a rather heavy loss in the recent flood at Pueblo, Colorado, the damage being estimated at over $1,500,000, and it is quite possible that the road has been making extra charges against current operations to make up the loss. This is only a conjecture, however. The Western Pacific Corporation, the holding company, is in a very strong financial position. The company was very successful in its claims against the government for additional compensation and damages to the road. It received from the government $4,200,000 in cash, was discharged from its obligations amounting to $1,950,000 and $2,211,588 for debts arising from prior advances and government expenditures on additions

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The Bond Market

Bonds in New High Territory

A Resumé of the Action of the Bonds Originally Recommended in Our Bond Buyers' Guide

THE action of the bond market in the past two weeks has been more than favorable. Prices for the previous two weeks had been very firm with a gradually improving tendency, but the entire market has taken on a fresh impetus and the heavy buying of the last two weeks has pushed prices into new high levels. Many factors have been contributing to this continued improvement in bond prices, but chief among them, we believe, is the broader realization among investors that the bargains which are to be found in the bond market may not be there for long. Only recently the Federal Reserve Bank of New York reduced its rediscount rate from 5½% to 5%, which action followed that of the Reserve Bank of Boston. This was further proof of the steadily improving financial position of the banks. Time money can now be obtained at as low as 5½%, and commercial paper is plentiful around 6%. The easing money situation we have so often spoken about in these columns is running true to expectations. It is only natural that the course of bond prices should be up. In addition to this the industrial and economic situation throughout the country is slowly but surely improving. There are many signs of increasing activity. The outlook for the public utility companies is very bright. With lower operating costs this group should do much better in the coming year. Public utility bonds are reflecting these conditions. The railroad situation has improved considerably and the roads are now entering the busiest months of the year with their operating costs considerably reduced and efficiency of operation fast returning to what it was in pre-war years. Railroad bonds have been very strong and should continue to work higher. As for the industrial companies, they have seen the worst and have gone a long way towards working off their high-priced inventories. The outlook here is also much brighter, especially in the steel and equipment group.

The Railroad Bonds

This group was particularly strong during the past two weeks and advances of from ½ to 2 points occurred along the entire list. The largest advances took place in the Middle Grade Group, where the Illinois Central and Atchison bonds went up two points each. Every bond in this group was up over a point with the exception of Baltimore & Ohio and Norfolk & Western bonds, which advanced ¼ and ½ points respectively, and the Atchison convertibles, which declined a point and one-half. In the speculative group the largest advance was recorded by the Carolina, Clinchfield & Ohio bonds, which went up 2 points. The St. Louis Southwestern bonds were up 1¾ points and the St. Louis-San Francisco bonds 1 point. We wish to call our readers' attention to a couple of errors which appeared in the speculative railroad group of our last Bond Buyers' Guide. The bond that headed the list, namely, the Western Maryland 1st Mortgage 4s, had an incorrect price and yield opposite it. The price should have been 55 and the yield 7.90. The second bond on the list, namely, the Iowa Central 1st Mortgage 5s, was not the issue which the writer had intended should appear. The issue in mind was the Iowa Central Ref. 4s, which are subsequent in lien to the 5s, but offer greater speculative possibilities. The correct price and yield for this issue appears in the current issue.

Public Utility Group

This group was particularly strong and the strength was pretty well distributed over the Gilt Edge and Middle Grade groups. With the exception of two issues, which were unchanged in price, every bond in these two groups were up from 1 to 3 points. In the Gilt Edge group the largest advance was recorded by the Pacific Telephone & Telegraph 5s, which were up 3 points. The issues which were unchanged in price were the Montana Power and N. Y. Gas, Elec. Light, Heat & Power 5s. In the Middle Grade group the Cumberland Telephone & Telegraph 5s were up 3 points, the Detroit Edison bonds 2⅝ points, the Utah Power & Light 5s 2¼ points and the Brooklyn Edison bonds 2 points. The other two bonds in this group were each up 1 point. In the speculative public utility group the first bond was unchanged in price, but the second and third issues were up 1¼ and 2½ points, respectively. The Public Service Corp. bonds, on the other hand, declined ½ point and the Virginia Railway & Power 5s 1 point.

Industrial Bonds

The action of the industrial bonds, while not as sensational as the public utilities, was nevertheless very satisfactory. Bonds in the Gilt Edge industrial group advanced on an average of 1 point. Each of the first four issues in this group advanced a point or more, and in the case of the Indiana Steel bonds the rise amounted to 1¾ points. In the Middle Grade group every bond, without exception, was up from ¼ of a point to 2 points. The largest advance (2 points) was recorded by the International Mercantile Marine 6s. Each of the first four issues in this group rose 1 point or more. In the Speculative industrial group there was quite a sharp advance in the Chile Copper Co. bonds, which were up 3 points from the previous two weeks. The Cuba Cane Sugar bonds also recorded a very substantial gain of 2¾ points, while the Virginia Carolina Chemical 7½s rose 1 point. The American Writing Paper and the American Cotton Oil issues were unchanged.

Foreign Government Issues

These bonds seem to have become quite popular with the investing public. The demand for these foreign issues has been very heavy in the past month. The yield on these bonds has been very attractive, ranging in most cases from 6½% to 8½%. While the situation in European countries today is not good and there is a long and arduous path ahead of the majority of them, the conviction has been probably growing that eventually these countries will all return to their normal state of productivity and straighten out their financial difficulties, and that the high yields that exist today will gradually but surely dwindle. This attitude has been especially noticeable in the better grade of bonds, especially in the bonds of those countries which suffered very little from the war. The largest advances took place in the municipal bonds of the neutral European governments. The City of Copenhagen, the Government of Argentina and the City of Christiania bonds all advanced 2 points. The Dominion of Canada bonds were not far behind with an advance of 1½ points. The only issue in this group which did not rise was the Danish Municipal 8s. In the more speculative group the advances were only fractional and in the case of the French Government and Kingdom of Belgium bonds fractional losses were recorded.

Resumé of All Recommendations

It is now three months since we started what was originally called our "First Aid to Bond Buyers." The timeliness of the inauguration of this feature of THE MAGAZINE OF WALL STREET can best be shown by a comparison of current prices of the bonds incorporated in our Guide with those of three months ago. The appended table gives a complete record of the price changes since the inception of the Guide. It will be

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BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	COMPLETE RESUMÉ — Present price	Price on July 23	Points increase
	BETTER GRADE.					
	Foreign Governments.					
1.	U. K. of Gr. Britain & Ireland (c) 5½s, 1937	89⅛	6.65	89⅛	85½	3⅝
2.	Kingdom of Sweden 6s, 1939	89½	7.05	89½	84⅞	4⅝
3.	City of Copenhagen (b) 5½s, 1944	81⅜	7.15	81⅜	76⅛	5¼
4.	Dominion of Canada (c) 5s, 1931	91⅛	6.10	91⅛	87⅛	4⅛
5.	Argentine (c) 5s, 1945	72	7.55	72	69	3
6.	City of Zurich (b) 8s, 1945	102	7.80	101	98⅛	2⅛
7.	City of Christiania (b) 8s, 1945	101⅛	7.85	101⅛	98	3⅛
8.	Danish Municipal (b) S. K. 8s, 1946	102	7.80	102	99⅛	2⅞
	MORE SPECULATIVE.					
1.	French Government (c) 8s, 1945	100⅝	7.95	100⅝	99	1⅝
2.	Kingdom of Belgium (a) 6s, 1925	95⅛	7.40	95⅛	92½	2⅝
3.	Kingdom of Italy (d) 6½s, 1925	88½	10.00	88½	87⅛	1⅜
4.	Republic of Chile (b) 8s, 1941	98⅛	8.15	98⅛	96⅛	2⅛
5.	Sao Paulo (b) 8s, 1936	98	8.25	98	95⅛	2⅞
6.	U. S. of Brazil 8s, 1941	100	8.00	100	97⅝	2⅜
	GILT EDGE.					
	Railroads.					
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	83⅜	8.40	83⅜	78⅝	4⅝
2.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	81½	5.45	81½	78	3½
3.	Southern Pacific (b) 1st Ref. 4s, 1955	78⅛	5.35	78⅛	75⅝	2⅝
4.	Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	79⅜	5.25	79⅜	77⅛	2¼
5.	Union Pacific (b) 1st Mtg. & L. G. 4s, 1947	83	5.25	83	80⅝	2⅜
6.	New York Central (a) Genl. Mtg. 3½s, 1997	67⅞	5.25	67⅞	65⅛	2½
7.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	77	5.80	78	74	4
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1948	80¼	5.40	79½	76⅛	3⅛
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	81⅛	5.65	81⅛	78½	2⅝
10.	West Shore (a) 1st Mtg. 4s, 2361	72	5.50	72	71⅛	⅞
11.	Norfolk & Western (c) Cons. 4s, 1996	79⅛	5.05	79⅛	75½	3⅝
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	97⅛	5.15	97⅛	94⅛	2⅝
13.	Atchison (b) Genl. Mtg. 4s, 1995	78½	5.15	78½	76½	2
14.	Chic., R. I. & Pacific (a) Gen. 4s, 1988	74⅛	5.45	74⅛	71	3⅛
	Industrials.					
1.	Armour & Co. (a) R. E. 4½s, 1939	82	6.15	82⅛	*78½	3⅝
2.	General Electric (b) Deb. 5s, 1952	88	5.85	88	85⅝	2⅜
3.	International Paper (a) 5s, 1947	82	6.45	82	81½	½
4.	Indiana Steel (a) 5s, 1952	93	5.45	93	88	5
5.	Liggett & Myers (aa) Deb. 5s, 1951	86¼	6.00	86¼	86	¼
6.	National Tube (a) 5s, 1952	91¼	5.60	93⅝	92½	1⅛
7.	Corn Products (a) 5s, 1934	90–95	..	91	91	..
8.	U. S. Steel (a) 5s, 1963	95	5.25	91	90	1
9.	Baldwin Loco. (a) 5s, 1940	93⅜	5.55	95	94⅞	⅛
	Public Utilities.					
1.	Amer. Tel. & Tel. (c) 5s, 1946	87	6.00	87	*82⅞	4⅛
2.	Duquesne Light (b) 6s, 1949	94⅝	6.40	94⅝	91⅛	3½
3.	Pac. Tel. & Tel. (a) 5s, 1937	88⅛	6.15	88⅛	84½	3⅝
4.	N. Y. Telephone (b) 4½s, 1939	84½	5.90	84½	80	4½
5.	Montana Power (c) 5s, 1943	86⅜	6.15	86⅜	83⅝	2⅝
6.	Cal. Gas & Electric (a) 5s, 1937	87⅜	6.25	87⅜	84	3⅜
7.	Western Union Tel. (a) 4½s, 1950	81⅜	5.20	81⅜	80½	1⅛
8.	N. Y. G., E. L., H. & P. (a) 5s, 1948	86	6.05	86	84⅞	1⅛
	MIDDLE GRADE.					
	Railroads.					
1.	Illinois Central (b) Col. Trust 4s, 1952	74⅞	5.70	75	69⅝	5⅜
2.	Southern Pacific (b) Col. Trust 4s, 1949	73⅜	5.95	73⅜	70	3⅜
3.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	71	6.25	71	67¼	3¾
4.	Norfolk & Western (a) Conv. 6s, 1929	103½	5.45	103½	102⅛	1⅜
5.	Atchison (a) Conv. 4s, 1960	84	4.90	83½	81	2½
6.	St. Louis-San Fran. (a) Prior Lien 4s, 1950	63¼	6.95	63¼	60½	2⅝
7.	Cleve., Cinn., Chic. & St. L. (a) Deb. 4½s, 1931	79½	7.45	79½	75	4½
8.	Ches. & Ohio (b) Conv. 5s, 1946	84¼	6.25	84¼	81½	2⅜
9.	Pere Marquette (c) 1st Mtg. 5s, 1956	82½	6.25	82½	80⅛	2⅜
10.	Kansas City Southern (a) 1st Mtg. 3s, 1950	58⅝	6.05	59	57⅛	1⅞
11.	Pennsylvania (a) Genl. Mtg. 5s, 1968	89	5.65	88⅞	84⅛	4⅝
12.	St. Louis Southwestern (a) 1st Mtg. 4s, 1939	69⅝	6.95	69⅝	66	3⅝
	Industrials.					
1.	Wilson & Co. (a) 1st 6s, 1941	87⅜	7.15	87⅜	*83⅛	4¼
2.	Comp. Tab. & Recording (b) 6s, 1941	80	8.00	78	78	..
3.	Adams Express (b) 4s, 1948	62½	7.15	62½	59	3½
4.	Int. Merc. Marine (b) 6s, 1941	79½	8.10	99½	97½	2
5.	Diamond Match (c) Deb. 7½s, 1935	104⅜	6.95	80	77⅞	2⅛
6.	Du Pont de Nemours (c) 7½s, 1931	99⅝	7.60	79½	79⅛	⅜
7.	Lackawanna Steel (c) 5s, 1950	75½	6.95	104⅜	103¼	1⅛
8.	Bush Terminal Bldg. (a) 5s, 1960	75	6.85	75⅛	74	1⅛
9.	U. S. Rubber (c) 5s, 1947	79½	6.65	79½	78	1½
10.	Amer. Smelting & Refining (c) 5s, 1947	77⅜	6.85	77⅜	76	1⅜
11.	Goodyear Tire (c) 8s, 1941	102½	7.75	102½	99	3½
	Public Utilities.					
1.	Detroit Edison (c) Ref. 5s, 1940	82⅝	6.65	82⅝	*78	4⅝
2.	Brooklyn Union Gas (a) 5s, 1945	85	6.20	85	77	8
3.	Northern States Power (b) 5s, 1941	82	6.65	82	78½	3½
4.	Brooklyn Edison (c) 5s, 1949	84	6.20	84	80	4
5.	Utah Power & Light (a) 5s, 1944	82	6.50	82	77	5
6.	Cumberland Tel. & Tel. (b) 5s, 1937	82	6.85	82⅛	78	4⅛
	SPECULATIVE.					
	Railroads.					
1.	Western Maryland (a) 1st Mtg. 4s, 1952	54⅝	7.95	54⅝	52⅝	2
2.	Iowa Central (a) 1st Mtg. 5s, 1938	68⅜	8.55			
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	66¼	8.85	66¼	62	4¼
4.	St. Louis-San Francisco (c) Adj. Mtg. 6s, 1955	69⅝	8.90	69¼	66⅝	2⅛
5.	Southern Railway (a) Genl. Mtg. 4s, 1956	59	7.25	59	56	3
6.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	54⅜	7.45	54⅜	53½	⅞
7.	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	74½	7.75	74	71½	2½
8.	Minneapolis & St. Louis (a) Cons. Mtg. 5s, 1934	69–72	..	69	68⅝	⅜
9.	Denver & Rio Grande (c) 1st Ref. 5s, 1955	44½	11.55	44½	41⅝	2⅞
	Industrials.					
1.	American Writing Paper (a) 6s, 1939	70½	10.75	71	71	..
2.	Chile Copper (b) 6s, 1932	73¼	10.05	73¼	71⅝	1⅝
3.	Va.-Carolina Chemical (c) 7½s, 1932	91⅞	8.65	91⅞	90	1⅞
4.	American Cotton Oil (a) 5s, 1931	74	9.00	74	73	1
5.	Cuba Cane Sugar (c) 7s, 1930	58	15.90	58½	58¼	¼
	Public Utilities.					
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	67⅞	7.65	67⅞	66⅝	1⅛
2.	Intr. Rapid Transit (a) 5s, 1966	55	9.20	55	54½	½
3.	Third Avenue (b) Refg. 4s, 1960	53½	7.85	53½	47	6½
4.	Public Service Corp. of N. J. (a) 5s, 1959	67⅝	7.55	67¼	65	2¼
5.	Va. Rwy. & Power (a) 5s, 1934	65	9.80	65	64	1

(aa) Lowest denomination, $5,000.
(a) Lowest denomination, $1,000.
(b) Lowest denomination, $500.
(c) Lowest denomination, $100.
(d) Lowest denomination, $50.

*Bonds in these groups were recommended on June 25.

Opportunities in Convertible Bonds

Salient Facts About These Issues and a Few Recommendations

By **R. M. MASTERSON**

ALMOST every investor realizes that stocks are low. They may go lower, but, in any event, stocks today are cheap, and it is only a question of time until the general average will be on a much higher level. The old axiom of "buy when they are down and sell when they are up" is familiar to most of us, but the trouble is that the average investor (I am not referring to speculators) cannot afford to risk stock purchases and assume the danger of having his income cut off by the passing of dividends.

This possibility of dividend omission is always imminent when stocks are low, for the reason that low prices, as a rule, reflect or discount some current or future economic conditions which threaten general prosperity. Some companies, of course, pull through a crisis without the necessity of discontinuing dividends, but an investor, who is dependent on the regular receipt of certain income, is never quite sure enough of most common stocks, and many preferred issues, to trust his principal to them. Who, for example, could have foreseen a year and a half ago the recent passing of dividends on Central Leather preferred, American Cotton Oil preferred, American Agricultural Chemical preferred, Pierce-Arrow preferred, Virginia-Carolina Chemical preferred, American Sugar Refining common, U. S. Rubber common, Anaconda Copper and hosts of others, preferred and common, that had had unbroken records for years and years.

But the fact remains that these dividends have been discontinued and we are by no means sure that further suspensions will not occur. Although fundamental conditions have shown considerable improvement over the past few weeks, the country at large is still far from being entirely "out of the woods" of readjustment. Still, the investor who knows that stocks are cheap and knows that it is time to buy, cannot afford to assume the risk involved. Several years hence, when the country is again on a high plane of prosperity, he will look over the list of stock prices and realize the golden opportunity that slipped away from him in 1921.

There is, however, a means whereby a conservative investor may safeguard his principal and still have an opportunity to participate in the upswing which must eventually come. The answer it—Convertible bonds.

Convertible bonds, it is hardly necessary to tell readers of THE MAGAZINE OF WALL STREET, are those issues which carry the privilege of exchanging (converting) the issue into stock. In some cases the privilege calls for an even exchange; in others, at a specified price, either above or below par; usually into common stock, but sometimes into preferred, or even into the stock of a subsidiary or affiliated company. This conversion feature imparts to the bonds a potential value which becomes an actual value as the price of the stock, into which the bonds are convertible, advances. A convertible bond does not fall below its intrinsic value as a bond, even in a falling stock market; on the other hand, it may appreciate in price many points above this intrinsic value, should the price of the stock score an advance above the "conversion level."

The "conversion level" is a term which will bear explanation. It is that price at which the stock (into which the bond is convertible) must sell to make the convertible feature of value, such level being based on the present price of the bond. To illustrate: In the case of a bond selling at, say, 80, convertible into common stock on a par for par basis (10 shares of stock for each $1,000 bond), the conversion level would be 80, as every point above that level that the stock should sell would cause a corresponding increase in the price of the bond. Where a bond is convertible on other than a par for par basis the calculation is slightly more involved. Take the case of a bond selling at 90, convertible into stock at 80. Divide 80 into 1,000, which would give the number of shares that could be obtained for each $1,000 bond, namely, 12½ shares. Then divide the number of shares (12½) into the present price of the bond (90) to arrive at the conversion level of 72. In other words, every advance in the price of the stock above 72 would cause a proportionate rise in the bonds above 90. A short method of determining this conversion level, in the case of any convertible bond, is expressed in the following rule, which is well to remember:

To find the conversion level of a stock into which a bond is convertible, multiply the present price of the bond by the price at which it is convertible and divide by 100.

There are a number of convertible bonds listed on the New York Stock Exchange and from these the list accompanying this article has been made up. The list is intended to be selective, rather than exhaustive, and several issues, such as Erie 4s 1953, New Haven 6s 1948, U. S. Smelt. Ref. & M. 6s 1926, etc., have been purposely omitted for obvious reasons. The list is arranged in three groups, rails, public utilities and industrials, and the bonds in each group are listed according

(*Continued on page* 798)

CONVERTIBLE BONDS

	Converting price of stock	Conversion level	High price of stock past 12 yrs.	Present price of stock	Present dividend on stock	High price of bonds	Present price of bonds	App'x'mate yield to maturity
RAILS.								
Norfolk & Western 6s, 1929	100	108½	119¼	96½	7%	110¼	108½	5.50
Norfolk & Western 4½s, 1938	(a) 100	95	119¼	96½	7%	145	85@95	4.90
Atchison 4s, 1960	(b) 100	85	125⅜	85⅜	6%	110¼	85	4.85
*Sou. Pacific 5s, 1934	100	93	130¼	77⅞	6%	117	93	5.75
*Delaware & Hud. 5s, 1935	(c) 150	127½	200	101½	9%	108½	85	6.65
‡N. Y. Central 6s, 1935	(d) 105	98¼	147⅞	72½	5%	117½	93½	6.70
*Ches. & Ohio 5s, 1946	(e) 80	67¼	92	56	..	119½	84	6.25
PUBLIC UTILITIES.								
*Consol. Gas 7s, 1925	(f) 100	101⅞	165¼	88	7%	103	101⅞	6.50
‡Amer. Tel. & Tel. 6s, 1925	106	107	153¼	108	9%	105	100⅞	5.75
‡Amer. Tel. & Tel. 4½s, 1933	120	106⅞	153¼	108	9%	118⅜	89	5.75
‡Detroit Edison 7s, 1930	(g) 100	96	149	92	8%	101	96	7.60
INDUSTRIALS.								
Amer. Ag. Chemical 5s, 1928	(h) 100	92	105	62⅞	..	104¼	92	6.55
Internatl. Paper 5s, Ser. A, 1947	(i) 100	82	100¼	68½	5%	90	82	6.80
‡Atlas Powder 7½s, 1936	125	123¼	270	114	12%	• 99¼	98⅜	7.80
‡Mex. Petroleum 8s, 1936	(j) 100	97	111⅜	50	12%	99½	97	8.25
*Pan Amer. Pet. 7s, 1930	(k) 145	130	111⅜	50	6%	95	90	8.85
Va. Caro. Chemical 6s, 1924	(l) 110	93½	184⅞	76	..	104	85	12.00
Cerro de Pasco 8s, 1931	33⅓	36¼	67½	36½	..	111	108½	6.50
*Chile Copper 7s, 1923	25	23¼	39¼	10⅞	..	154	94½	10.70
‡Sinclair Cons. 7½s, 1925	(m) also see text.		..	..	..	98½	92¼	10.20

(a) Privilege expires Sept. 1, 1923; (b) privilege expires June 1, 1923; (c) privilege expires Oct. 1, 1927; (d) privilege expires May 1, 1925; (e) convertible at 80 until April 1, 1923, at 90 until April 1, 1926, and at 100 until April 1, 1936; (f) convertible after Feb. 1, 1922; (g) convertible from March 1, 1922, to Sept. 1, 1929; (h) convertible into 6% cum. pfd.; (i) convertible into 6% cum. pfd.; (j) convertible into Pan Amer. Class B Common; (k) convertible into Class B Common; (l) convertible into 8% cum. pfd.; (m) convertible into 10 shares 8% pfd. and 2½ shares common for each $1,000 bonds.

*Come in $500 denominations. ‡Come in $100 denominations.

Answers to Inquiries

DETROIT UNITED 4½s

Bonds Look Safe

I would thank you very much if you would advise me if I should hold 5-Consol. Mortgage 4½ First Bond (30 years Gold Bonds) Detroit United Railway. I see by the papers that there is some political disturbance around that railroad and would like to know if my holding is perfectly safe and not to see it turn into another B. R. T. disaster. An early reply would greatly oblige.

Detroit United Railway has been the storm center of the fight that has been going on for many years. It seems to be largely political. The City of Detroit apparently wishes to take over the urban end of the enterprise. Franchises on all but 45 miles of the company's 315 miles in Detroit will have expired by 1928. The lines were appraised at $31,000,000 in 1919 and freed of its city properties, the company could then confine itself to the operations of its out-of-town lines, of which it has over 900 miles. Lines outside of Detroit were appraised in 1919 at $41,000,000. Of the company's $35,000,000 funded debt outstanding in the hands of the public $17,000,000 is on the Detroit City Line. If the company had accepted the offer of $23,00,000 for its city lines in 1915 this would have wiped out funded debt of $19,000,000 and left a surplus of $4,000,000. The company has outstanding $35,000,000 consisting of its consolidated 4½s which total $14,500,000, the balance consisting of underlying bonds, interurban lines 5 year 7s and a recent 8% mortgage. The company's funded debt is less than $40,000 a mile which is considered moderate. Its 7% notes mature in 1923 and there are other obligations maturing up to 1932 in regard to which it is believed a definite program is being worked out to provide for this situation. The company earned its fixed charges by a large margin during the war and was able to pay dividends at the rate of 8% on its stock. At a price around 60, the 4½% bonds yield over 11% and we believe that they are undervalued even in spite of the uncertainties. These bonds are covered by property valued around $60,000,000 subject to $7,000,000 prior liens which shows a book equity of $54,000,000 behind these bonds. The company's earnings were $29,000,000 gross in 1920. After all charges and taxes, including interest there was a surplus of well over $1,200,000. We would hold these bonds in your place.

CARIB SYNDICATE

A Mystery

Please give me some information about Carib Syndicate. The Investors Pocket Manual for September states that the par value is 25c, but does not give its capitalization. I will be pleased to have any information you may have as to this company's present organization and future prospects, together with your advice as to the purchase of its stock at the present price of about $4.00 per share.

Carib Syndicate is capitalized for $200,000, of which $93,450 were formerly outstanding having a par value of $25. On Nov. 28, 1919, shareholders authorized and increased its stock from 4,000 shares to 8,000 shares and at the same meeting authorized division of each $25 par share into 100 sub shares of a par value of 25c. The old stock sold substantially above $2,000 a share and the new stock is now selling at around $4, which is equal to $400 for the old stock. The company has not paid any dividends and a report of its financial condition is unavailable. The company has large oil interests in various countries throughout South America, Panama, Venezuela, Columbia, Peru, Equador and Bolivia. Some of its wells are of very large capacity, but nothing very authentic is known about its present production of oil. We would not advise a purchase of the stock, as it it too much in the "mystery" class.

MISSISSIPPI RIVER POWER

Common Stock Improving

What do you think of Mississippi River Power Co. common, which I would like to purchase?

Mississippi River Power has now paid off arrear dividends of $37.50 a share on its $6,000,000 of outstanding 6% preferred stock. The company has during the past three years out of earnings reduced its debt by over $1,400,000 and has added to plant about $500,000. Also during five years ended last year company increased its replacement reserve and surplus account more than $3,000,000. In 1914 gross earnings were $1,500,000 approximately, while last year these earnings had risen to about $2,600,000. During the same period its indebtedness per $1 on gross was reduced from $15 to $8.50. After interest and amortization the net rose from $211,584 to $900,000 approximately. Since the start of operations July, 1913, more than $3,000,000 has been turned back into the property or applied to the reduction of debt out of current earnings. We now regard the common stock as a good speculation for a rather long pull considering the improvement in earnings on the preferred stock which amounted to over $16 last year compared with $9.50 in the previous year, which would indicate that although the common is not in line for dividends immediately, its position is satisfactory and this in conjunction with the cleaning up of accumulations on the preferred, leaves the way open for a declaration when the time comes. Market improvement, however, may be slow and un-

Invincible Oil 8s

ALSO SOME LOW PRICED STOCKS

Will you kindly let me have your opinion of the Bonds issued by Invincible Oil Co., 8 p. c. at 95? Also the Invincible Oil stock. Would you advise evening up on it? What would you advise purchasing in the medium priced stocks?

The weakness in the stock of the corporation to which you refer which carried the price down to 5⅜ in August is said to have been due to liquidation of an account of a former prominent interest in the company and not to any recent developments within the company itself. The company has no material obligations at present and when it has later on it will meet them, according to a statement issued by the president of the corporation. Improvement in the company's business took place in July, when it is said to have made a profit. The company has completed its pipe line connecting the El Dorado, Arkansas and Haynesville Louisiana field, with its Shreveport Refinery, and now has connections from the plant to five different fields. The refinery is now running at the rate of 7,000 barrels of crude oil daily. When one bears in mind the terrific decline in oil stocks during this period of readjustment and the fact that the market, generally speaking, is at a very low ebb, this company is doing about as well as could be expected.

The bond issue to which you refer has been bought from the corporation by a syndicate of several prominent banking firms. The capital stock is $50,000,000; issued $18,817,000 par $50. Both bonds and stocks have good longer pull possibilities and we see no reason why the company should not earn sufficient to cover fixed charges. Very few of the newer oil bonds are yet rated "gilt-edge."

Some low priced stocks of promise are American Ship, Loft, General Motors, Con Textile, Columbia Graph., Oklahoma P. & R., Inter. Agricultural, Tennessee Chemical. Nearly all are purely in the Speculative Division.

OUR INQUIRY DEPARTMENT

The reproduction of questions and answers herewith are samples of how we handle every kind of financial and business question that comes to us every day. We answer every inquiry by mail or telegram, only publishing a few examples that might prove of general interest.

We never divulge the name of the subscriber nor mention his name or identity in our magazine.

These inquiries are answered without charge to regular subscribers, the only reservation being that we expect moderation as to length of letters or number of securities. It is best to limit the inquiry to three securities or questions at one time.

Subscribers are asked to enclose a stamped, self-addressed envelope which will help to insure a prompt answer.

We are glad to answer by telegram or night letter if so requested, and any telegrams received from subscribers during the day are answered within a few minutes. We do not ordinarily give telegraphic information regarding temporary fluctuations in stocks, short sales, and similar speculative advice. The latter information is within the province of the Investment Letter and Trend Letter services only.

less you are prepared to tie up your money without returns for a long while we would not suggest a purchase.

A NEW ANGLE?

Banking Interests No Guarantee

Will you kindly look over the enclosed literature and give me your opinion as to its merits as an investment. If any charges for this service please advise.

If one can rely upon the very imposing array of bank presidents back of the Bankers' Commercial & Trust Corporation one would suppose it would be impossible to lose any money by investing in this enterprise. But it has been our experience that bankers are just as susceptible to mistakes as those in other lines of endeavor. The business of commercial financing is not by any means new and those who have made their money in this business started with less than $5,000,000, which the Bankers' Commercial & Trust Corporation proposes to do. The large sums that have been made in the past have not been uniformly in enterprises that started out with $5,000,000. We have gone through the elaborate circular and the calculations to justify the title of the pamphlet "How Money Makes Money," and in theory it sounds very good. There are many concerns of this kind now doing business and some of the larger automobile companies are financing their dealers direct, for example, the General Motor Company, through the General Motors Acceptance Corporation.

We would recommend that you stay out of this sort of investment, as it is not sufficiently seasoned for the funds of a professional man of middle age, partly dependent on good investments for his income.

PENN. SEABOARD STEEL

No Sound Basis for Advance

I have been studying the action of Pennsylvania Seaboard Steel for some time, but cannot exactly understand its movements. Can you tell me whether there appears to be important accummulation in this stock or whether purchasers at lower levels are just bidding the price up to get out? Today the turnover was 14,000 shares which is very large for this stock.

Will thank you for any information you can give me on the above stock at your convenience if you will, please.

Penn. Seaboard Steel has advanced from a low around 6 to a high of around 11 partly in sympathy with the recovery in steel stocks, and you doubtless have noticed the advance in U. S. Steel, Republic, Crucible and others during the same period. The majority of Penn. Seaboard stock is in a voting trust, as the authorized issue is only 240,000 shares it takes very little money to control its market. The company showed a deficit last year of $230,000, while its income was only $157,000 in 1919 and $457,000 in 1918. Quite obviously the stock is not an investment and while there have been rumors that control of this company is being sought by automobile companies to control the class of steel this company puts out we are not in a position to confirm or deny such statement. Beyond the possibilities of a further speculative rise we see nothing in the situation that justifies a purchase at this time. We believe that General Motors is a much better speculation.

PHILIPPINE GOVT. 5s

Apparently No Guarantee by U. S. A.

I failed to see these bonds mentioned in your valuable paper. You spoke of $10,000,000—4% issue among the new—Why this hedging about the guaranty of the U. S. Gold—or why the flirting about it or with it?

We agree with you that while it is implied in the offering in the Mississippi Valley Trust Co. that the loan by the Philippine Government is "under the auspices of the United States," we cannot see anywhere in the terms of issue that the United States is legally or even morally bound to pay for this government in the event of default. It is true that the sponsorship of the United States is a guarantee of good faith but not a guarantee of money. However, these bonds are very well rated, but we believe that you could do better by purchasing some of the standard railroad or industrial bonds mentioned in our Magazine (Bond Buyers' Guide) which will yield you 6 to 7% compared with 5¾% for Philippine Government obligations. We see nothing in these bonds to become enthusiastic about on the ground of possible large appreciation in value but they are without a doubt very well rated and for those content with a 5½%-5¾% yield are quite suitable for conservative investment.

THE WORKINGS OF OUR INVESTMENT LETTER

General Explanation to Subscribers

Regarding Investment Letter telegrams: The writer did not understand your telegram when you used the words "under figures named" and again "under one." Will you please explain to me what your telegram meant. Also, I understand you released this information on Thursday morning in New York. Could not the telegrams be sent out at midnight on Wednesday so that they could be received by me on Thursday morning also?

Our telegrams to our Investment Letter subscribers are so worded as to save expense, and where stocks are selling at two figures for example: 71 we leave out the figure 7 and say "1" only. Thus, in recommending U. S. Steel then around 77, we would say "buy under 7." When we say buy "under figures named" we mean to purchase at less than the figures given, it being impossible for us to give the exact price for purchase, as our subscribers might all go into the market at the same time and price and make it impossible for anyone to secure stock or cause special movements in the market, that we are trying to avoid. In this way we are able to leave it somewhat to the discretion of the subscriber. Regarding sending telegrams on Wednesday evening, our staff on the "Investment Letter" meets at 10:00 A.M. every Thursday morning and it takes a couple of hours to go through all the data for the week and confer on the outlook. It would be impossible for us to send a telegram any earlier than noon on Thursdays without altering our entire schedule and working to the detriment of those who receive these advices by mail. We do not release our information to Investment Letter subscribers until late on Thursday afternoon and few, if any, receive our advices before Friday morning. Our aim is to release information to all simultaneously.

COTTONBELT CONS. 4s

Why a Speculative Rating?

In your Bond Buyer's Guide of September 3rd issue you list the St. Louis & Southwestern Consolidated Mortgage in 4's 1932 as speculative. I just bought one of these bonds and when buying it did not consider it a speculative buy. I should like very much to have you advise me your reasons for calling this bond a speculative issue.

The classification of St. Louis & Southwestern Consolidated 4s as a speculative bond is a correct one, for the following reasons:

1. The road has never shown an earning power very substantially in excess of its annual interest requirements. For instance in 1919 interests were just earned and in 1920 were not earned. This year, earnings of the road are very much improved, however, the narrow margin of safety must be considered as risky.

2. These bonds are not close enough to the property to be given a rating of a good investment bond. The bonds are really a third lien on practically all of the mileage covered and are subject to over $23,000,000 of prior liens.

3. The fact that the bond is considered speculative is shown by the high yield which could not exist if it were not for these facts.

(*Continued on page 794*)

Courtesy National City Co.

Building Your Future Income

To the Young Married Man

THIS is intended for the masculine portion of the legion of newlyweds in good standing. Our message is for those who joined the newlywed club within the past ten years.

Veterans are privileged to read and pass it on to the younger generation—if the veterans have nothing more to learn.

Train your young wife to understand figures. Teach her the spiritual as well as the material value of the dollar. Let her understand its significance as related to your future income and your goal at fifty.

You want to be financially independent at fifty. Your young wife has 50% of your potentialities towards this goal. She can positively lead you there. Many young wives deserve more credit for the accomplishment than is generally recorded.

Tell her your gross and net income and explain the meaning thereof. Explain how you arrive at "net" and see if she cannot improve on your method. Teach her the meaning of "per cent," and show her how money grows by investment at so much per cent.

By all means give her a personal checking account, and teach her to pay her bills promptly by check. For a start let her do her own bookkeeping in connection with her banking account. Through this medium she will find figures alive with interest, and not as dry as she at present supposes.

Young wives owning checking accounts are inclined to be liberal—while they are young. A corrective measure for too much liberality *via* check is to switch to currency now and again. It makes a difference between signing your name for $100, and paying out in ten new crisp bills. Acquaint Mrs. Newlywed with the difference.

Increase her worldly education by allowing her to criticise your income and expenses, by keeping a diary or budget of important future expenditures, and let her plan to meet them out of your expectations and earning power.

Buy her a baby—bond. Introduce her to this form of investment and teach her the meaning of coupons. Then buy some more.

Mrs. Newlywed wants to help you in your career, and she will surely help you if you give her this chance. Continue to make and bring in money, Mr. Newlywed: that is *your business*. The *application* of that money is 50% *her business*.

Qualify her to help and encourage you by an early start.

Mrs. Newlywed will do the rest.

Taking A Flyer

Another Intimate Chat With Investors

By G. S. GHASTIN

THE ancient story of Icarus and his tragic fate will probably never lack its horrible example.

According to tradition, his father, Dædalus, invented wings, so constructed that they could be fastened to the human body and enable men to sport in the air as freely as birds. Icarus, enraptured with the idea of aerial navigation, pleaded so hard to be permitted to experiment with the apparatus that at last his father reluctantly consented, but with the admonition to the youthful aviator that he stay close to the ground. Unheedful of this paternal advice, the youngster, after a few successful flights at low altitude had given him confidence, soared higher and higher, until at last he came so near the sun that the intense heat melted the wax with which the wings were secured; falling like a shooting star, he plunged into the sea that now bears his name, and was seen no more.

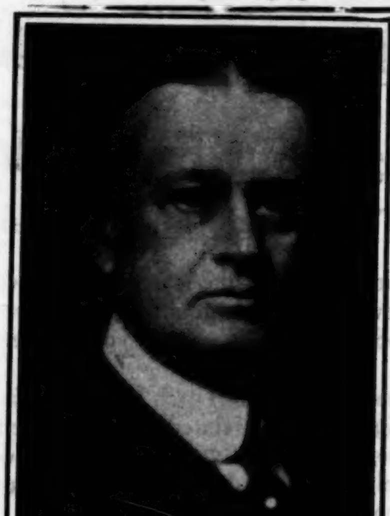
Sport for the Uninitiated

"Taking a flyer" has long been the favorite sport of the venturesome and uninitiated; some of the greatest events of history have turned on the desperate cast of a novice. Nowhere, however, have the experimental or proving grounds become so cluttered up with the hulks of disastrous wrecks as those of the speculative marts of the world. Into the golden history of Wall Street are woven thousands of black threads—grim reminders of the fate of those who, instead of planting the fruits of their industry in good, rich soil and so cultivating the crop as to make it multiply in the natural way, have sought to force events by taking a short cut; eventually they have over-reached themselves, and the result has been fatal. "The darkest day in any man's earthly career," said Horace Greeley, "is that wherein he first fancies there is some easier way to gain a dollar than by squarely earning it. . . . He has lost the clew to his way through this mortal labyrinth, and must henceforth wander as chance may dictate." In experience and knowledge only is there safety.

Practical knowledge, however, will not of itself raise a man to the Mayor's office, to the Governor's chair, to the Supreme Court bench, nor to the mansion of the President, but many a man has failed of attaining these and other high offices, because of a lack of it. The disposition to see only the *result* instead of the *cause* has been the ruination of more amateur speculators and investors—yes, and plenty of professionals, too—than any other factor in the game of finance. **We would consider the conductor who sent a baggage-man out to run the engine of the Century Limited as devoid of even common horse sense; no man of ordinary intelligence would think of putting an inexperienced boy at the wheel of his speeding automobile; we would send to the psychopathic ward the captain of a crowded ocean liner who placed one of the passengers in charge of the ship. Yet when it comes to handling their money—the factor upon which so much of their future well-being and very existence depends—many people do things equally unwise; they pit a total lack of education and experience against master minds, or inject themselves into activities of which they know nothing, then go cursing and wailing out of Wall Street declaring it is a den of thieves.**

Studies in Types

As we stand in the board room of any well patronized brokerage office, and study the types of men we find congregated about the ticker or before the "board," we often wonder how in the world some of them came to be there. Not long ago a rural capitalist wandered into the office of a local broker with a letter of introduction from one of the "solid men" of his home town out in the Middle West. He had $6,000 to invest, and the letter stated that the bearer wanted to get in on something "that was going up sharp." One of the partners questioned his strange visitor and discovered that he had been buying stocks and bonds for over 25 years from salesmen who visited his village, and during that time he had accumulated about $26,000 worth of brilliantly colored, but worthless, "wall-paper." When this was explained to him, was he downhearted? He was not. His chief grievance seemed to be that for some reason or other no stock salesman had called on him for the past three years, so he had gathered together another roll and had come to New York to break the Street. He had holdings in "wild-cat" oil ventures that had never so much as "meowed"; his collection was liberally be-sprinkled with "pup" mining stocks; yet strange as it may seem to us, it was impossible to convince him that these shares were not worth their face value. He really seemed to be quite annoyed to think that nobody had been around to sell him more, and he had been forced to travel 1,500 miles in order to buy stocks. Fortunately, the broker was able to induce him to invest his $6,000 in high-grade bonds. When last seen he was headed toward home, the bonds in his pocket, but as we think it over we wonder how long he will have them.



IRVING T. BUSH

"The successful business man," said Bush recently, "knows the difference between a chance and a gamble. Success is the child of Courage and Reason."

Arguments for Stock Salesmen

The newspaper stories of people who have suddenly burst from poverty to sudden riches make a powerful argument for the unscrupulous stock salesman. The recent financial ascension of Dr. Sam Bussey, experienced promoter and soldier of fortune, who cornered all the available gambling cash in Arkansas and reaped a golden harvest over night when the first big gusher at El Dorado broke loose this Spring—after the pioneers had gone broke twice incidentally—is a wonderful "stimulant" for the persuasive oil stock salesman.

The oft-repeated tale of the struggling Pennsylvania lawyer, who unearthed a hundred shares of Bethlehem Steel stock one morning when he was cleaning out his desk, and found that his speculation with a little idle pocket-money years before had grown in valuation until his shares were worth $700 each, makes the "prospect" of a salesman offering "industrials" fairly itch to get in on such a *killing*.

The history of Mrs. ——, of California, is a shining light on the path of the "public utility" promoter. This woman, many years ago, fell for the **blandishments of** what her husband sarcastically called "a sharp-tongued city sharper," and bought stock in an unknown, unheard of company. A "crack-brained, crazy scheme" was the verdict of the neighbors. So ashamed did she finally become of her venture that she stole quietly upstairs to the attic one day, and buried the certificate deep in the bottom of an old brass-bound trunk. Not long ago another stock salesman, but of a new generation, called and tried to interest her in an issue he was selling. She turned him down hard and with the ancient bromide that "a burnt child dreads the fire." The salesman was persistent and curious. What was the name of the company in which she had invested? She couldn't remember. What did she pay for it? She had forgotten that. Where was it now?—old stocks sometimes turned out to have a market and he might be able to sell it. Spurred on by this last faint gleam of hope for salvage

from the wreck, she again climbed to the attic, dug the age-yellowed certificate from its old hiding place and, half-apologizing for the trouble she was putting him to, showed it to the man. The salesman took one deep breath, then leaned against the door-post gasping. It was a certificate for stock in the old Bell Telephone Company and was worth nearly TWO MILLION DOLLARS. Interesting, is it not? Almost any of us could be induced to part with a few odd dollars for a chance like that.

Ford's Rise to Affluence

Henry Ford's remarkable rise to affluence is a sharp and piercing weapon in the hands of the man with a "Motor" stock to sell. It is said that a young lawyer, back in the early days, accepted $2,000 worth of stock in the Ford Motor Company in lieu of fees. His partner, as Mark Twain might have said, "waxed wroth," when he found out about it, and diplomatic and all other relations were severed then and there. As a share in his business, the young lawyer was forced to accept the stock, but he lost much of his practice. Today the shoe is on the other foot. The man who took the stock is worth millions, while the disgruntled partner is still pleading before the bar.

Or take the story of the hotel clerk in Lansing, who put $1,000 into stock in the Reo Motor Car Company. How everybody around the place did laugh at his credulity. But when, in 1916, the company declared a stock dividend and the "plunger" found himself worth around $120,000, the scoffers wore out shoes kicking one another. Now he owns the hotel. Yes, indeed, anyone with a fairly good "Motor" proposition is pretty sure of a hearing these days.

Such tales whet the appetite for riches of all and sundry, and cause most of us to break the Tenth Commandment into smithereens. These few incidents, picked at random from volumes of similar record-breaking occurrences, serve as illustrations of what we are discussing. In hardly any one of them, however, has the result been due to any great amount of foresight. Generally speaking, these people made a blind stab, took a chance on the well-known enterprise of American ingenuity. They remind us of the story of the sailor who lost his footing while "laying aloft" and fell forty feet to the deck unharmed. Springing to his feet, he rushed over to the side of the vessel, and shaking his fist at the members of a rival crew, yelled triumphantly, "There's a stunt for you lubbers. Let's see one of you do that."

Our 400,000 Corporations

According to a recent estimate, there are in the neighborhood of 400,000 corporations in the United States. When we count the firms who have stocks listed on the various stock exchanges, we find that in comparison to the total number those listed are very few. The large majority, then, consist of close corporations with a limited few stockholders. Most corporations of this class are owned and controlled by local interests; that is, by people who live in the vicinity of the enterprise and who came into it because they are personally acquainted with the promoters or the latter were sponsored by persons of local reliability. There are thousands of oil, mining and industrial ventures of this nature, and whether the enterprise is a success or a failure no one outside of these communities ever know.

Then there are, in addition to these, thousands of public utility or municipal bonds floated in the small cities and towns, which are absorbed by local investors.

The danger of this class of securities lies in the fact that inasmuch as they are not listed on a regular exchange, the publicity methods by which accurate information is disseminated to stockholders of listed companies do not exist. A stock listed on the New York Stock Exchange, for example, must pass through an examining committee before the stock is accepted, and after that at regular intervals a full and complete statement of the company's condition must be rendered for publication. Such a statement must be prepared by accredited accountants, consequently the chances for fraud or mismanagement are few. Stocks listed on the Curb have not been so rigidly scrutinized in the past and many fly-by-night issues have found their way into the list; these have been, as a rule, short lived, for the true status of their condition eventually comes to light. The removal of the Curb Market from the street to an indoor location, the installation of regular exchange methods, including tickers, will probably work, in the future, toward doing away with this evil.

Sentiment's Place in Business

All the foregoing are points that the amateur investor and speculator should bear in mind when approached by someone with a proposition of a similar nature. Many people have lost their all through the inducement of "local talent." Sentiment should cease in business. Local patriotism is a fine thing and should be encouraged, but when it comes to investing in an enterprise solely because it will be operated in the community, the matter should receive microscopic attention. The mere fact that a man is your friend is no reason why you should back him financially unless you know the extent of his capabilities, and his reputation for finishing *successfully* anything that he starts. Two of the most shining examples among men of note, where trust in friends has been their ruin, lie in the history of Grant and Sir Walter Scott. The former confesses in his memoirs that he never had a particularly keen mind in financial matters. When, after his retirement from the Presidency, he was induced to enter into a promotion scheme by friends, he willingly and trustingly agreed. The world knows the disastrous finish of the enterprise, and not only was Grant utterly ruined, but hundreds of other investors with him. Spurred on by his great sense of justice, Grant, though suffering severely from the disease that eventually ended his career, devoted the remainder of his life to the writing of his memoirs—working on them at high pressure and against time—that they might be sold and the proceeds go to satisfying his creditors. The experience of Sir Walter Scott is identically the same, and he labored under exactly the same handicap as Grant—a wasting disease and a race against time—to indemnify his associates in disaster, through the proceeds of the sale of the Waverly Novels.

A Two-Sided Coin

"Get Rich Quick," as one financial genius has put it, "is a matching coin, with 'Get Poor Quick' on the reverse side." An essayist discussing the subject of "chance" some years ago hit the nail squarely on the head, when he said, "A De Moivre may calculate, with mathematical nicety, what he calls the 'Doctrine of Chances'; but experience will falsify the calculations in perhaps five cases out of ten. The profound mathematician tells you that, if you throw the dice, it is thirty to one against your turning up a particular number, and a hundred to one against your repeating the throw three times running, and so on in augmented ratio." In speculation based on the so-called "hunch" and not on due investigation, the chances are even greater against a successful issue. There are, in the city of New York alone, around 1,500 financial brokerage firms, according to a recent estimate; each firm will have from 100 to 2,000 active customers plus a great number of inactive customers—that is, people who come into the market occasionally or on bull markets. You can see from this that the chances for an untrained, inexperienced individual to make a remarkable "cleaning" are not so rosy, for all are fighting against each other.

According to Gibbon, the historian, a man usually gets two educations—one which he obtains from others, and the second, by far the most important, which he gets by his own efforts. Experience may be the best teacher in the long run, but it may also be costly in financial operations, for one unwise move in Wall Street is apt to be too disastrous; consequently, while imitation may be the most sincere form of flattery, it is also the better part of wisdom, and a little real, earnest, thoughtful consideration before putting in your money is advisable. As the old farmer used to say, "Lightnin' don't strike twice in the same place, because usually there ain't no same place there, after the first time."

Where Can Investors Learn?

The question arises, "Where will an amateur investor get this education."

There are a number of means at the disposal of everyone; that is, means whereby the fundamentals can be secured. The most easily accessible to all are the financial pages of the daily press. Most newspapers of the better class employ writers of ability to report on various phases of the market—men who are not prejudiced or biased by market influences. These men dissect stocks in cold blood, and while their deductions are not always correct, they are, nevertheless, honest. Then, too, many of the papers carry an "Advice to Investors" column and will give frank statements to the best of their ability to anyone who writes them for information.

Classed with the newspapers are the financial periodicals—magazines appearing weekly, semi-monthly or monthly as the case may be. These are more exhaustive in their treatment, are usually illustrated with half-tones or graphic maps, and cover the ground more thoroughly. A subscription to a publication of this class

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Readers' Round Table

LETTER FROM MEXICO

Tampico, Tamps, Mexico, Sept. 3, 1921.
To the Happy Family, The Magazine of Wall Street:

Sir: Just received your letter of August 22 on my arrival in Tampico from a nine-day trip through the lower country, one hundred miles south of Tampico. It was a rather strenuous trip, partly by boat and partly by auto, interspersed with rain, during which we were thoroughly wet through, and intense heat during the day, with mosquitoes and sand flies working overtime night and day. Being the rainy season in Mexico it rains easily and fluently, sometimes at night, sometimes days, causing the auto roads—few in number—to be impassable for several days. Much of the travel is done in boats on the lagoons and sluggish rivers or bayous that are numerous, every oil company operating many boats, from fine speed launches to tugs and barges. I covered the same territory ten years ago, on a mule and by boat, but the oil development has changed everything greatly.

An old friend whom I met at his wonderful oil camp took me out across the lagoon and I enjoyed an hour's fishing, also it was great sport watching him shoot alligators. He is a wonderful shot with a rifle and the way he gets alligators, with the boat and the 'gator both moving, is a caution. He killed three the day I was out, two eight feet long and one ten feet. They lie along the edge of the bayou and are so covered with black oil that it is quite a trick to pick them out from the floating logs and drift.

I had a wonderful ride in a machine along the gulf coast where all the oil terminals for refineries and loading berths are located, thirty miles in length. The beach is hard sand all the way and the machine run in water at times as the surf beats in and out—the first time I ever rode in a sea-going Ford. I stayed two days and nights at The Texas Company camp, 100 feet from where the great fire happened a month ago, burning two flowing wells and five drilling rigs, lasting five days before the flames were out.

Tampico is getting dull, the oil business having played out, and many people are leaving Mexico. Prices for everything are very high in pesos—which are worth just half American money—my room in the Imperial Hotel costing 24 pesos, or $12 a day, the service rather poor, but I can do no better; and, after ten days of roughing it, I need what comfort is obtainable. The city is wide open, with saloons and everything well patronized—something that is now ancient history in the States.

I am going to Mexico City Wednesday morning, to stay three or four days, then to San Antonio, Texas, and to Tulsa for a few days, then back to New York, where I will arrive about September 20, probably.

Everything in Mexico is gold, with silver and coppers for small change, and American money is not used except surreptitiously. It takes a hat to hold enough Mexican money to get around during an afternoon, pay small bills, tips, etc., as one can buy nothing except matches or a paper for less than 50 centavos, equivalent to our half dollars silver. The $2.50, or peso, gold pieces are so small they're hard to keep track of. I got two American $20, two $10 and two $5 gold coins to go to the lower country with, equivalent to 200 pesos, and by the time I had them all changed there was enough to start a bank with. An ordinary dinner here costs about 10 pesos, breakfast about 4 pesos and lunch about 7½ pesos. To get a shave, hair cut, manicure and a shine uses up a 5 peso gold piece and seems extravagant until you divide the total by two and then make allowance for the high prices in a boom oil town. People here—common working people, who get big wages—buy champagne and big dinners and fancy clothing without batting an eyelash. The only cheap thing in Eastern Mexico is railroad transportation, which is about half it is in the States.

From 12 o'clock noon until 2 p. m. stores and offices are closed for the middle-day siesta or rest while it is hot.

At the Texas Company camp where I stayed two nights, near Lacmixtle, in the southern oil fields, everybody was robbed two nights before I got there, the drillers losing all their good clothes and 1,100 pesos, and two nights after I left it was robbed again, with some shooting, but no one hit—something like New York. The lower oil fields are located among hills, with real mountains a few miles away, the scenery being great and wonderful cool nights. Green parrots are everywhere and keep up a wonderful chatter. I had venison almost every day at the camps.

Coming back to Tampico on the little mail boat we got out of the narrow dredged channel through the lagoon at 8 o'clock at night and did not get back in until 8 o'clock the next morning, without food twenty-four hours and no water fit to drink, and no place to sleep, getting into Tampico at noon instead of 10:30 p. m. as intended. I looked like a highwayman when I got to the hotel for grub and beer. I slept through from 8 p. m. to 9 a. m. this morning to catch up.

I left Tampico for the lower country with Chief Engineer Miller of the Adwi company in a Dodge car, Mrs. Miller accompanying her husband. We reached Tepetate at noon, four hours' driving, and I got blisters on both hands holding on in the back seat alone. We stopped at Mamey (pronounced Mau-may) for a bottle of beer, and had a swell lunch at the Cortez camp at Tepetate, with two whiskey cocktails as dessert, all free. But that ride jarred the teeth I lost ten years ago and curled my hair—and I'm some rough rider myself. We went through forty gates and crossed two ferries and it kept Mrs. Miller busy throwing out copper centavo pieces to the gate-keepers of the Huasteca, or Mexican Petroleum highway, which is private and requires a pass to get over.

Thanks for the letters and memos. Must quit here and get some lunch and a bottle of real beer, one peso per. Tell everybody hello; will write again from the city. It takes a week for mail to get through and there is no cable service.

Bruised but well,

H. L. Wood

A DEBATE WITH MR. NEUMARK

Editor, The Magazine of Wall Street:

Sir: I read with surprise and even some anxiety the statement of Mr. Arthur J. Neumark (in his article, "A Railroad Stock I Would Not Buy") that it would take a courageous investor or speculator to purchase *even bonds* of Ch. M. & St. Paul at this time. No doubt many of your readers, who hold securities in this railroad shared my feelings.

I hold the General Mortgage 4% Series A, which were bought for me by Drexel & Co. in December, 1919, at 66⅝ as a safe investment.

There must be a difference in the safety of the twenty different issues, even in case of receivership, but Mr. Neumark makes no differentiation in his statement—which is too sweeping.—R. R.

The above letter was called to the attention of Mr. Neumark, who makes the following reply:

I take pleasure in answering your inquiries in regard to St. Paul.

The purpose of my article, of course, was to point out the reason for the drastic decline in the securities of this company since the year 1917. I not only attempted to trace the unfavorable development, but also endeavored to point out the very weakened financial position of the company today and the many unfavorable conditions that might have to be met within the next few months. I believe a careful study of the conditions existing on this road at present as pointed out in my article, especially the table headed "St. Paul Operating Ratio," should convince the investor that it is indeed risky to purchase the securities of this road even at the present time.

The situation can be summed up by saying that there is a considerable possibility of St. Paul going into receivership, and if this should occur I think you will agree that it would not be to your interest to be a holder of even the first mortgage bonds of the road, which would be almost certain to decline very sharply if such an occurrence should take place.

You say in your letter, "There must be a difference in the safety of the twenty

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Petroleum

Pacific Oil Company

The Nearest Thing to Standard Oil

Southern Pacific's Oil "Offshoot" a Coming Concern

AMONG the oil stocks listed on the New York Stock Exchange no issue has attracted as much attention during the past four months as has Pacific Oil Company, the offshoot of Southern Pacific Railroad. At this writing the stock is selling at 36, which compares with a low 27½ on March 12 and a high of 41½ early in January. When this stock was admitted on the "big board" for trading the opening price was 33½ and due to the enormous demand it reached 40 the same day.

Pacific Oil has 3,500,000 shares outstanding of no par value. It has no preferred stock, nor it is encumbered by a funded debt. In this way it differs widely from most large companies.

During April of this year, when the company had only been in operation for a short time, there were rumors—and they were well founded—that it was the intention of the management to declare dividends at the rate of $3.00 per annum. On June 11 announcement was made that a dividend of $1.50 per share would be paid on July 20 to holders on record as of June 20. This was the initial dividend.

According to a recent statement of President Kruttschnitt of the Southern Pacific Railroad, the oil properties earned about $12,000,000 for 1920. He estimates earnings for 1921 considerably in excess of this; and to his estimate must be added the $1,200,000 annual dividends received from Pacific Oil's holdings of Associated Oil stock. Pacific Oil's business has felt little recession, since the Rocky Mountains form an effectual barrier for all supplies from the eastern side and comparatively few companies are thus left in possession of the California business.

Properties of the Company

The lands transferred to the Company were originally acquired by the Southern Pacific Railroad Company as part of a land grant from the United States Government in aid of the original construction of its railroad. Suits involving the titles to 161,000 acres of these lands, including all of the valuable and productive oil lands, were brought by the United States Government, but were decided adversely to the United States. As no appeal was taken within the six months' time limit, the decrees are now final and conclusive.

These California oil properties thus acquired amounting to 258,765 acres are all owned in fee, no leases. They are made up as follows: 1,592 acres in San Beinto County, Cal.; 99,582 acres in Fresno County, Cal.; 51,139 acres in Kings County, Cal., and 106,452 acres in Kern County, Cal.

Of this total amount of acreage there are 25,000 acres of proven land and it is estimated that the possible oil content of this proven field is 340,000,000 barrels a year. At a valuation of $1.00 a barrel this estimated yield would be worth about $340,000,000. This estimated yield is arrived at by applying statistics of production in the California oil fields since they were opened in 1876. From that time to the end of 1919 the state produced 1,243,210,268 barrels of oil from 90,844 acres of land. This was an average yield of 13,684 barrels per acre, which applied to the Pacific Oil's 25,000 acres of proven lands gives the indicated possible yield.

The proven land of the Pacific Oil Company should not be confused with the 90,844 acres from which California's production has come. This latter is entirely operated acreage. A large part of Pacific Oil's acreage has been drilled only to the extent of border wells to offset completion by other companies. In addition to this acreage 200,690 shares the par value of which is $20,069,000 representing 50.48% of the outstanding capital stock of the Associated Oil Co. has been acquired by Pacific. At the present, Associated Oil is paying dividends at the rate of 6% per year.

PACIFIC OIL COMPANY

COMPARATIVE INCOME ACCOUNT

	First quarter	Second quarter	Total six months
Gross earnings from operations	$10,591,842	$8,173,380	$18,765,222
Operating expenses	4,911,760	2,742,502	7,654,262
Ordinary taxes	71,773	81,389	153,162
Net profits	$5,608,310	$5,349,488	$10,957,798
Other income*	112,177†	466,565	578,742
Gross income	$5,720,487	$5,816,053	$11,536,540
Depreciation and depletion	775,010	776,337	1,551,347
Surplus	$4,945,477	$4,939,716	$9,985,193

*Includes Associated Oil Dividend of $301,035. †Excludes Associated Oil's earnings.

Production

Pacific Company has 817 wells in operation, exclusive of Associated Oil, 25 in the process of drilling and 25 being redrilled. The average depth on the Coalinga west side is 2,500 feet; the east side 2,800 feet; Sunset-Midway, 2,500 feet; Buena Vista, 2,900 feet; Elk Hills, 2,900 feet; McKittrick, 1,000 feet; Kern River, 750 feet. The probable life of the oldest well is 19 years; some of them have been in operation, however, for 38 years. The

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Standard Oil Preferred Stocks

Among the Leaders in the Senior Stock Group

By **RAYMOND SOMMERS**

FOR upwards of fifty years, the world-famous organization of the Standard Oil Co. was conducted without any outside financing whatever. Up to the time of the dissolution decree, in 1911, public participation in this giant of industrial organizations was limited to ownership in the shares of the parent Standard Oil Co. of N. J. This participation, of necessity, was limited both because of the high prices prevailing and the small, scattered amount of stock available for purchase by investors.

In recent years, however, this situation has taken a decided change and not only are Standard Oil shares reduced in par value so that they may be available for purchase by the average investor, but senior securities have been issued as well. Senior securities of Standard Oil companies were unheard of in the past but today there are available notes, bonds and preferred stocks on Standard Oil companies of the first magnitude.

The investor, naturally, is interested to a large extent in the class of securities which offer the best yield, with safety and over the longest period of time. This discussion is primarily one on Standard Oil preferred stocks and does not in any way discriminate against debenture and other issues. The preferred issues are merely taken because they are the least likely to be called for payment when the time comes for money to again be available for industrial purposes at rates cheaper than those now prevailing.

Neither is it the intention to give a blanket endorsement to all Standard Oil preferred stocks. Rather those under discussion here are looked upon as being the leading and most attractive to the investor. They are: the $196,676,600 preferred of the Standard Oil Co. of New Jersey, the $20,000,000 preferred of the Atlantic Refining Co. and the $7,000,000 preferred of the Standard Oil Co. of Ohio. All three of these issues are 7% cumulative, non voting, preferred stocks.

Of the three issues, the preferred stock of the Standard Oil Co. of New Jersey, the parent organization of the group, offers by far the best showing as regards earning power, asset value and dollars per share of working capital. This, notwithstanding the fact that the total authorized and outstanding amount of the New Jersey company's preferred stock amounts to about ten times that of Atlantic Refining and nearly thirty times that of the Ohio organization.

It is for the reason of this huge earning power, recognition of the ability of its management and its generally high standing in matters of finance, that the Standard Oil of New Jersey preferred stock is being rated along with U. S. Steel 7% preferred stock in the lists of preferred stocks, suggested by banking houses, to investors with money to put into securities. This is a rather flattering compliment to the company itself and the genius of its organizer and those carrying on his work, to have the stock rated with that of the Steel Corporation's preferred stock, considering the greater length of time which the latter issue has been outstanding and the seasoning qualities which longer life has given the Steel issue.

That banking houses are not amiss in rating Standard Oil of New Jersey preferred with what has been looked upon as the premier industrial preferred investment over the last decade, is indicated by the fact that in 1920 the New Jersey company was the largest earner of any company whose annual report is issued publicly, and unquestionably there is no other company whose profits equalled those of Standard Oil of New Jersey. Net profits last year were $164,461,409 after taxes and before dividends contrasted with net of approximately $110,000,000 reported by the U. S. Steel Corporation. Gross sales of the New Jersey company and the thirty-odd subsidiary companies, left in its control following the dissolution, are estimated to have been in the neighborhood of $1,500,000,000 in 1920.

For the first time in its history, the New Jersey company officially admitted that it is the "Billion Dollar Corporation" which it has long been credited with being. This disclosure was made in the balance sheet showing the company's financial condition on December 31, 1920, giving total assets carried on its books at $1,102,312,595. From this statement it will be seen that the assets were, at their book value, approximately five and one-half times the par value of the preferred stock outstanding.

Net profits available for the $196,676,600 preferred stock, as a result of operations last year, were equivalent to $88.70 a share, or more than seven times the dividend charges. While the preferred stock has not been outstanding for the entire period, hence the benefit of the nearly $200,000,000 of new money was not felt in the development of the business, earnings for the last five years have been compiled and show that during that period there was an aggregate of $452,765,017 of profits available for dividend distributions after paying tax bills. This total was equal to $230 a share on the $196,676,600 of preferred stock, or an annual average per share earnings for the five year period of $46, about six and one-half times the dividend requirements.

It should again be pointed out, however, that the above calculation of earnings on the preferred stock can hardly be said to represent the true earning power of the Standard Oil Co. of New Jersey on its present capital. In three years of the five year period, 1916, 1917 and 1918, there was no preferred stock outstanding. In 1919 the first $100,000,000 of preferred was issued and only during part of that year was the new money available. The second issue was not brought out until along about the middle of 1920 so that it can be seen that the benefit of a large part of the new money raised from the second issue

EARNING POWER—PROFITS AVAILABLE FOR PREFERRED DIVIDENDS

	1920	1919	1918	1917	1916
STANDARD OIL, N. J.—					
Net	$164,461,409	$77,985,685	$58,169,910	$81,415,945	$70,792,059
$ per share	* 88.70	79.30	59.00	82.79	71.98
ATLANTIC REFINING—					
Net	$10,513,694	$8,871,046	$7,409,490	$9,006,316	$9,628,256
$ per share	52.50	44.35	37.04	45.03	48.14
STANDARD OIL OF OHIO—					
Net	$4,722,012	$4,163,198	$2,582,991	$3,233,104	$3,722,979
$ per share	67.60	59.46	36.89	46.19	53.90

* 1920 based on $196,676,000 preferred. Other years $98,338,300.

ASSET VALUE

	1920	1919	1918	1917	1916
STANDARD OIL OF N. J.*—					
Tangible assets	$1,102,312,595	$853,360,598	$691,316,966		
Liabilities	212,735,803	157,005,383	116,816,714		
Net tangible assets	$889,576,792	$696,355,215	$574,500,252		
ATLANTIC REFINING—					
Tangible assets	$117,788,933	$95,400,893	$77,248,332	$60,776,927	$41,922,622
Liabilities	20,240,656	10,492,586	16,566,759	5,083,683	1,909,210
Net tangible assets	$97,548,277	$84,908,307	$60,681,573	$55,693,244	$40,013,412
STANDARD OIL OF OHIO—					
Tangible assets	$38,159,566	$28,203,897	$24,469,327	$20,752,842	$15,936,832
Liabilities	5,748,929	8,582,082	4,962,144	4,175,473	2,897,442
Net tangible assets	$32,410,637	$19,621,815	$19,507,183	$16,577,369	$13,039,390

*Balance sheet available only for three years.

WORKING CAPITAL

	1920	1919	1918	1917	1916
Standard Oil of N. J.	$504,693,586	$358,198,802	$301,662,873		
Atlantic Refining	40,500,511	38,352,734	25,149,096	27,859,936	18,617,812
Standard Oil of Ohio	8,831,691	7,869,306	11,365,298	8,274,676	6,684,464

of the preferred was not available until the current year. However, the earnings record, as applied to the total issue of preferred stock as now outstanding, is given as an index of the company's earning power.

Whereas the Standard Oil Co. of New Jersey is a world-wide organization, selling its products in virtually every part of the world, along with doing business in a great many states on the eastern seaboard and southern district of this country, the Atlantic Refining Co.'s activities in the distribution of refined oils are virtually limited to the domestic field. The major part of this is located in Pennsylvania, Delaware and West Virginia. A large part of its products are sold abroad, but through other Standard Oil agencies, notably the New Jersey company and the Anglo-American, the latter being the old Standard Oil marketing company in the British Isles. According to gossip in the oil trade, Atlantic Refining Co. expects to enter the South American trade in the near future and in this respect its recently completed refinery at Brunswick, Ga., would be a big factor, inasmuch as it is considerably nearer South American ports than its big plants, located at Philadelphia.

Much interest has been aroused in Atlantic Refining, recently, because of the poor earnings statement submitted for the six months period ended June 30, 1921. This report showed a deficit of $8,114,201 as a result of operations for the first half of 1921 as compared with a surplus of $3,782,554 for the same months of 1920. The fact that the company had a profit and loss surplus of $58,675,000 on June 30 of this year, even after charging out its loss for the six months' period, disposes of any question of the company's financial standing. This surplus was equal to approximately three times the $20,000,000 preferred outstanding.

It is obvious that there were special reasons for this admittedly poor showing of Atlantic Refining and a six month period can hardly be taken as a criterion of the company's earning power. Neither should it be assumed that it furnishes a parallel of the earnings of other refining companies during the similar period. In the first place, Atlantic Refining is, in the main, a refiner and marketer of oil. Its production of oil is rather small although it is being developed. Thus, the company has to buy virtually all of the oil it uses in its plants. During the six month period in question the price of crude oil was subjected to numerous and extensive reductions. As recently as the middle of January, midcontinent crude oil was selling for $3.50 a barrel at the wells and at the date the company's report was made it was quoted at $1.00 a barrel. It is obvious that this drastic price reduction over such a limited time could only mean that a company in Atlantic Refining's situation would have considerable supplies of crude on hand at prices above the prevailing market level on June 30. This is indicated by the charge-off of $4,484,008 which was made in the June 30 statement in order to adjust inventories to current cost levels.

Indeed, it would not be surprising if Atlantic Refining turned the year 1921 with little if any profits to show for the operations. But, on the other hand, it must be remembered that all the time the company is purchasing crude oil at $1.00 a barrel, admittedly subnormal, and consequently is getting the average cost of its oil lower. The time will come, probably next spring, when crude oil prices again advance and it is in such times that companies situated like Atlantic Refining will find their inventories of crude valued much higher than cost. Much of the reported deficit, therefore, will be regained through the enhancement in values of inventories.

In the matter of earning power, Atlantic Refining's record has been a notable one. Profits of $10,513,694 in the year ended December 31, last, were equal to in excess of $50 a share on the preferred. In the five year period from 1916 to 1920, inclusive, aggregate earnings, which would have been available for the preferred stock, were $45,428,796, equal to more than $225 a share, or an annual average for the period of about $45 a share.

As in the case of the New Jersey company, however, it must be pointed out that the Atlantic Refining's preferred stock was outstanding in only two of the years included in the five year period, 1919 and 1920. Hence the company was not in a position to benefit, during three of these years, from the money arising from the sale of the preferred stock.

Atlantic Refining is one of the oldest of the Standard Oil organizations, having been formed in 1870, about the same time the original Standard Oil company was organized by John D. Rockefeller and his associates in the state of Ohio. It has a wealth of assets which were carried at a book valuation of $115,520,281 at the close of 1920, equal to more than five and three-quarter times the preferred stock outstanding.

Like the Atlantic company, Standard Oil Co. of Ohio is strictly a refining and marketing company. Its territory is restricted to the state of Ohio, which of itself is one of the largest gasoline consuming territories in the United States. Up to within two years ago there were more automobiles registered in Ohio than in any other state in the Union. New York took the leadership from Ohio around 1920.

Recent earnings of the Ohio company are not available, that is beyond the annual report covering operations in 1920. They would be of extreme interest now, of course, in view of the returns shown by the Atlantic company for the first half of the year period of 1921.

However, on its past record, the Standard Oil Co. of Ohio has big earning power back of its $7,000,000 of preferred stock. The real purpose for which this preferred stock was issued was partly to pay for the construction of the new $15,000,000 refinery at Toledo, Ohio. This plant recently started operating with capacity for 10,000 barrels daily and more than doubles the company's former capacity which was 8,400 barrels daily at Cleveland. Both plants are complete, in that they refine all products from crude oil and are equipped with Burton stills for cracking lower grade refined oils for their gasoline content.

Due to its big marketing organization, the company handles upwards of 60% of the entire gasoline business of the state and in previous years its refining capacity at Cleveland was insufficient to take care of its requirements. For this reason the Ohio company has always been a buyer of gasoline from other Standard Oil units. This situation, of course, is changed with the new plant in operation.

In 1920, the company reported net earnings available for the preferred stock of $4,722,012, which was equivalent to $67.60 a share on the $7,000,000 preferred, or about nine and two-thirds times the requirements on that issue. In the five-year period from 1916 to 1920, inclusive, the Ohio company reported net earnings available for the preferred, in the aggregate, of $18,374,370, equal to $263 a share, or an annual average of better than $52 a share.

Here again, it must be pointed out that the Ohio company did not have advantage of this new money for the entire period. As in the case of the other two companies much of the five year period had elapsed before the money became available. In fact Standard Oil of Ohio only sold its preferred stock late in 1919 and it did not show in the balance sheet until the 1920 report. The benefit from the money really will not show until the current year's operations are reported, inasmuch as the new plant did not commence operations until March of this year.

The above three preferred stocks, in the order named, offer probably the highest investment security among industrial preferred stocks, all three of them selling in the market around 107 to 108.

Financial Phases of Disarmament

The financial significance of disarmament proposals has been evident for a long time past and has been commented upon more than once. As preparations for the Washington International Conference of November next proceed it has grown more and more obvious that there will be a direct relationship between the discussions to occur at the conference sessions and pending questions of international finance. This connection extends itself even to the question of foreign exchange, which, of course, is directly dependent upon the debt and taxation outlook. Most foreign countries have arranged to send financial delegations, these to accompany their main or principal delegation which will consist in each case of not to exceed four members. These secondary delegations, as thus far made public, include a substantial proportion of bankers and financiers. What the United States will do in this connection is not yet known, although it has been unofficially reported that the President is at work on plans for proper subordinate delegations in the various fields where expert knowledge is needed. The importance of the confidence to the general financial market is thus manifest and it would seem likely that a number of classes of stocks will be more or less directly influenced by the conclusions reached at the sessions, especially if these are backed up in a way to show that they will without doubt be put into effect. Finance as such, including questions relating to international holdings of securities, may not figure much in the agenda of the conference, but it will have an important place nevertheless.

Public Utilities

Public Interest in Utilities

Recent Financing Highly Successful Owing to General Appreciation of Improvement in the Public Utility Situation

By P. J. RUSSELL

IF further evidence were needed to furnish convincing proof of the knowledge of investors of the improved conditions in the public utility field, and their renewed interests in investments of this character, it was furnished during the two weeks which have elapsed since the last review of the utility market was set forth in these columns. Upwards of $35,000,000 of bonds and notes of leading utility companies have been purchased and offered to the investment public by some of the largest and most influential banking houses in the country.

It has been common knowledge for some time that the houses of issue in big cities, notably New York and Chicago, have been on the alert to feel the pulse of the buying public as to its attitude toward purchasing senior issues of high-grade public utility organizations. That they are satisfied that there is a good market for this class of securities was evidenced by the number of issues brought out in the past fortnight.

The largest offering was the $13,500,000 first mortgage 7% twenty-year bonds of the Toledo Edison Co. This company is a reorganization of the old Toledo Railway Light & Power Co. following the taking over of the street car lines of the company by the city of Toledo. The Toledo Edison represents the power and light business of the old company along with merging with the Acme Power Co. with its large new station. The taking over of the traction lines by the city clears up what has been a sore spot and a source of considerable litigation in the past five or six years.

Other issues brought out recently, in addition to the above, included the Havana Electric Railway, Light & Power Co.'s $1,500,000 7% five-year secured notes, $1,540,000 7¼% equipment trust certificates of the Public Service Railway, a subsidiary of the Public Service Corporation of New Jersey; $2,500,000 fifteen-year 7% non-callable bonds of the Appalachian Power Co., $1,000,000 5% sinking fund bonds of the Cedar Rapids Manufacturing & Power Co., $1,500,000 7% bonds of the Consumers Power Co., due in 1935; $2,500,000 7% notes of the Toledo Traction, Light & Power Co.

In practically every instance the new securities were sold for the purpose of paying off maturing obligations. It is a rather flattering commentary of the attitude of the banking fraternity toward public utility investments that this type of company can find bankers willing to purchase securities, when consideration is given to the fact that many industrial companies of importance are finding refinancing of maturing obligations as well as bank loans a rather difficult procedure.

Business Advances

A slight improvement in general business has been noted recently and, with the turning of the Summer season, utility companies report that there has been a resumption of the usual seasonal demand for residential lighting. Power demand in the manufacturing section of Detroit is stated to be on the increase. In this connection President Dow of the Detroit Edison Co. recently told the Michigan Electric Light Association that if the demand for power in Detroit continued to increase, the company's entire capacity for developing and delivering power would be in use. He attributed the increase to an improvement in general business.

Probably the most pointed discussion of the outlook for utility companies, insofar as it affects artificial gas companies, was made recently by Charles A. Munroe, vice president of the Peoples Gas Light & Coke Co., the big Chicago gas company, and president of the American Gas Association.

Mr. Munroe stated: "The artificial gas industry has seen its darkest hour and is now entering an era of greater prosperity. It has not fully recovered from the severe hardships of war, due largely to extreme restriction of rates by public authority, but it has reached a point where actual progress can be made and assurance given

UNLISTED PUBLIC UTILITY STOCKS

	Annual dividend rate†	Recent bid	Recent asked
Adirondack Power & Lt. com	..	9½	10½
Adirondack Power & Lt. pfd	7%	69	73
American Gas & Elec. com. ($50 par)	14*	102	105
American Gas & Elec. pfd. ($50 par)	6	38	40
American Light & Traction com	8**	91	93
American Light & Traction pfd	6	56	60
American Power & Light com	4	58	62
American Power & Light pfd	6	66	69
American Public Utilities com	..	10	15
American Public Utilities pfd	..	16	20
American Water Works & Elec. com	..	4	5
American Water Works & Elec. pt. pfd	..	8	9
American Water Works & Elec. 1st pfd	..	46	49
Carolina Power & Lt	..	26	28
Central States Electric com	..	4½	5½
Central States Electric pfd	7	40	45
Cities Service com	$6 (cash scrip) $15 (stock scrip)	119	121
Cities Service pfd	$6 (cash scrip)	43	45
Cities Service pfd. "B"	$0.60 (cash scrip)	4	6
Cities Service Bankers' Shares	$1.50 (stock scrip)	13½	14
Colorado Power com	..	6	8
Colorado Power pfd	7%	69	72
Commonwealth Edison	8	108	110
Commonwealth Pr. Ry. & Lt. com	..	8	10
Commonwealth Pr. Ry. & Lt. pfd	..	27	28½
Duquesne Light pfd	7	90	93
Elec. Bond & Share pfd	6	81½	83
Federal Lt. & Trac. com	..	6½	8
Federal Lt. & Trac. pfd	..	49	52
Middle West Utilities com	..	17	21
Middle West Utilities pfd	..	39	42
Nor. Ont. Light & Power com	..	5	8
Nor. Ont. Light & Power pfd	6	32	33
Northern States Power com	..	44	48
Northern States Power pfd	7	79	82
Pacific Gas & Elec. pfd	6	79	81
P. Ser. No. Ill. com	7	78	81
P. Ser. No. Ill. pfd	6	87	91
Republic Ry. & Lt. com	..	5	5½
Republic Ry. & Lt. pfd	..	9½	10½
So. Calif. Edison com	8	91	93
So. Calif. Edison pfd	8	98	100
Standard Gas & Elec. com	..	7½	9
Standard Gas & Elec. pfd. ($50 par)	8	33	35
Tenn. Ry. Light & Power com	..	½	1½
Tenn. Ry. Light & Power pfd	..	3½	5
United Light & Railways com	..	21	23
United Light & Railways pfd	6	58	60
Western Power com	..	28	29
Wesern Power pfd	6	70	72
Wisconsin Edison	..	22	27

*10% cash; 4% stock. **4% cash; 4% stock.
†Based on current payments.

to industry of greater service. With proper public co-operation the nation today faces the greatest era of development of its public utilities—gas, electrical, telephone and transportation—in its history. Greatest economies in production of all commodities must be devised and the gas industry must stand prepared to aid all industry as the business revival, which must come, takes place."

Mr. Munroe pointed out, in addition, that the 1,000 artificial gas companies of the country supply cooking fuel in the homes of 55,000,000 people as well as heating and industrial requirements to thousands of factories. At present there are more than 1,200 separate uses for gas and the list is being expanded all the time. "Gas has reached only its preliminary uses," said Mr. Munroe. "It is not drawing much on the imagination to visualize the time when solid fuel will no longer be used in populated areas; when coal strikes, transportation difficulties, scarcity and consequent abnormal prices will have lost their terrors for the individual coal user." He added that progress of the utility industry would be aided by the co-operation of the great army of owners of utility securities who, in number, run second only to the owners of Liberty bonds and constitute the greatest public ownership group the world has ever known.

Canadian Traction Lines

Statistics gathered by the Canadian Government indicate that there has been a normal increase in travel on the street car lines in the Dominion. In 1920 the passengers carried on sixty-six traction lines showed a gain of 7.4%, while the receipts increased 15.3%. While there were undoubtedly many increases in fares, as indicated by average per passenger collections of 5.37 cents, against 5.01 cents in 1919, the increased revenues were not sufficient to offset higher operating costs. Among these was an increase of about 20% in payrolls. Of the sixty-six companies reporting, thirteen paid dividends and only twelve reported surpluses as a result of the year's operations. The result of combined operations of all the roads was a deficit for the year of $2,421,286. The importance of these figures, however, is not so much in the failure to show any real profits, but in the combined gross receipts of over $47,000,000 as against $40,698,000 for 1919.

Two decisions of major importance to utility companies occurred in the last two weeks. The first was that of the Appellate Divisions of the Third Department, New York State, finding that the Public Service Commission had the right to grant to an artificial gas company the privilege of charging their consumers a service charge. This is looked upon as setting a precedent for numerous other instances where the Commission has granted companies the right to bill their customers a monthly service charge.

The other decision, which was not exactly unexpected, was in the receivership proceedings brought against the Interborough Rapid Transit Co. At the adjourned hearing on September 21 Federal Judge Mayer again postponed action until September 30. He reiterated his stand, made at the two previous hearings, that he was opposed to appointing a receiver in order that the best interest of all might be conserved. In fact, the only active claimant for a receiver at the latest hearing was Clarence H. Venner, holder of $50,000 of the notes, who has been active in similar other proceedings heretofore. It was stated that in excess of 91% of the par value of the $38,144,000 of notes, which matured September 1 last, had been deposited under the plan providing for a one-year extension with the interest rate raised from 7% to 8%. It is considered entirely unlikely, as previously expressed in these columns, that it will be found necessary to name a receiver.

Unlisted Issues

There was some better demand for the unlisted utility stocks recently with an advance of eight points occurring in Federal Light & Traction preferred which sold up to 49 on September 21. While no dividends are being paid on this 7% issue, a better feeling is being evinced in the stock because of the reported success of the company in arranging for $2,000,000 additional financing, the money being needed in the business.

Toward the close of the month the leadership among the unlisted utilities was assumed by American Power & Light common stock which sold to above 60 on September 22, about six points above the price earlier in the month. Strength was based on better earnings and reports in in good quarters that there was some likelihood that there would be an increase in the dividend distribution, now $1 a share quarterly.

American Power & Light has been one of the good earners among the utility companies, reporting net profits for the common stock in 1920 equal to about $14 a share. After paying the $4 dividend there remained a balance of $10 a share available for profit and loss account.

The company is one of the important utility holding organizations with subsidiaries operating in Kansas, Washington, Oregon, Nebraska, Iowa and Texas. In all it serves 225 communities with electric light and power, artificial and natural gas and street railways. Electric light and power is by far the most important department, having been responsible for 72% of gross earnings in 1920. Artificial and natural gas contributed 25% of the total and street railways and miscellaneous the balance.

Among the listed utility stocks, North American Co. was a leader and, in fact, it furnished something rather unique and which the New York Stock Exchange market has not witnessed for several years—a utility stock among the real leaders in an advancing market. The common stock above 40 as contrasted with a price of around 32 in August, while the preferred stock, including the 75 cent a share dividend payment, got above 35.

Behind the buying of these stocks is to be found the realization of the strong position of the preferred stock and the speculative opportunity offered by the common, in addition to its being a $3 annual dividend payer. North American was virtually the first of the major utility companies to revamp its capital structure so that it will be in a position in the future to take care of capital needs for expansion through the sale of stock. Under the share exchange plan, previously explained in detail here, there is $14,896,650 of 6% cumulative preferred and the same amount of common stock outstanding, both issues having a $50 par value.

The company has a sound rating for a dividend payer, the old stock having paid $5 a share annually from 1910 until the readjustment was effected a month or so ago. The 6% preferred dividend will require approximately $900,000 annually and the margin by which this has been earned in previous years is indicated by the following display of earnings: 1920, $2,688,957; 1919, $2,545,967; 1918, $1,604,074, and 1917, $1,803,568.

The purpose of the management, which is headed by Harrison Williams, as chairman of the board, is to make the common stock in time a sufficiently large dividend payer so that future financing can be accomplished through the sale of the common stock, there being less than half of the $30,000,000 authorized common outstanding. In order that this may be done it will be necessary to sell the stock at par, $50 a share, as provided by the laws of the State of New Jersey, where the company is incorporated. One of the plans, receiving much favor, is to pay $3 a share in cash annually, which is the present rate, and extra dividends to common holders in preferred stock. The amount of preferred, now being discussed and to be paid as a stock dividend to common holders, is 2% annually. This, of course, has not yet received official sanction.

The territory served by North American's subsidiaries has shown constant growth, particularly that of the Detroit Edison and Wisconsin Edison Companies. The record of combined gross revenues shows that in the year ended June 30, 1921, receipts were $40,890,071; in 1919 they were $30,343,890 and in 1917, $20,963,202. It is significant of good management that in the four years while gross increased about 100% fixed charges, such as interest, subsidiary company preferred dividends and minority interests, were increased but $1,400,000.

Probably the biggest factor making for enlarged earnings was the manner in which the proportion accruing from the different departments was changed. In 1910 electric earnings furnished 44% of the total, gas and coal 13% and traction lines 43%. Last year 53% came from electric, 21% from gas and coal and but 26% from street railways.

Further evidence of the improved situation for utilities generally is found in continued lowering of costs. In much of the middle west territory utility companies can now contract for coal at about $7 a ton, or about one-half the $14 a ton which these companies paid not more than a year ago. A further big help is the slashing of gas oil prices with companies in the same territory receiving the greatest benefit from the surplus oil which refiners have on their hands. Gas Oil is always cheaper in the middle west than the east because it is nearer the point of crude oil production. Many new oil contracts are being made at extremely low prices, some being as low as 3.53 cents a gallon in the middle west territory.

Five Utility Stocks I Would Buy

By **E. ADELAIDE**

Pertinent Facts on Some Strong Companies

TO the close student of the market the present performances indicate that we are now bordering on a "bull market." The present market conditions seem to be a forerunner of what may be expected during the coming months. The investor who has funds available at this time would do well to look about for attractive speculations and sound investments.

Were I a purchaser at this time the field I would enter would be the Public Utility corporations. There are many hundreds of securities issued by these companies obtainable and their prices have been affected the same as industrials, railroads, government and municipal issues. There are other stocks of utility corporations which may be just as attractive buys as those I have picked out, but from all indications these five stocks should show a handsome return in the near future to a purchaser of them.

Tractions

Of the classes of utility corporations the tractions have suffered the most. There is something like $6,000,000,000 invested in the electric railways of the United States. This should seem that there is sufficient proof of the fact that direct interest in the welfare of public utilities is not limited to those who are stockholders in these companies. The war has taught us that collectively the public utilities are national in scope and of incalculable importance to national defense, as well as national welfare, and comfort. Yet the electric railways are in a dire position, largely because of public ignorance of and indifference to the true conditions of this great industry. Their plight is evidenced by the fact that in 1918, 29 companies with 2,107 miles of track went into the hands of receivers; there were foreclosure sales of 23 roads, with 524 miles of trackage; and 498 miles of tracks were abandoned while fewer of new tracks than ever before were laid down. The mileage and capitalization of companies taken over by receivers in 1918 far exceeded those of 1915, the record year heretofore.

Although the picture of the railways may seem to be a black one there are spots in the tractions which are bright and tend to continue brighter. Such a traction is the United Railways and Electric Company of Baltimore.

United Railways and Electric Co. of Baltimore

The street railway situation is a far more precarious one in other cities than in Baltimore. In New York City the bull-headed attitude of the Tammany administration has brought the local railway situation to a point of disaster. In Boston and New England the railway companies have a ten-cent fare which has been necessary to save them. In Des Moines and in some interurban localities street car service has actually been abandoned. In St. Louis, New Orleans, Pittsburgh, San Francisco, Kansas City and many other important cities, mainly through political opposition to necessary increases in income, the street railways are in the hands of receivers. Take Chicago, the fare is eight cents. The price was substantiated by the courts and the railways are actually more prosperous than they have been for a long time.

The recent report showing operating results for the seven months ended July 31 shows that the net earnings of the company are approximately $288,000 less than they were for the same period of 1920. If this average of decrease continues for the remainder of the year the surplus of the company will for 1921 be about $500,000 less than it was for 1920.

TABLE I—STOCK MARKET RECORD

	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	Present Price
AMERICAN GAS & ELECTRIC COMPANY — Common Stock											
High	..	93	86	91½	145	155	146	..	120	..	103
Low	64	65	68	65	88	130	87	98	..	92	
PACIFIC GAS AND ELECTRIC COMPANY — Common Stock											
High	..	72	63	47⅛	61⅛	66¾	68¾	45	75¼	61⅛	55⅛
Low	54	54	33	32	41	56⅛	30½	28¾	58⅛	41⅛	
UNITED RAILWAYS AND ELECTRIC COMPANY OF BALTIMORE — Common Stock											
High	19⅝	26⅝	27⅝	28⅝	27	36¾	35¾	24⅛	20¼	15	10
Low	16⅛	18¼	23	24⅛	20⅛	25⅛	21⅞	18	10⅛	9⅛	
THE NORTH AMERICAN COMPANY — Common Stock											
High	76¾	87⅞	81⅛	79¼	81	75⅝	72¾	57⅛	67	61	59
Low	64	74½	60	64⅛	64	65⅛	39	37½	47	43	
EL PASO ELECTRIC COMPANY — Common Stock											
High	..	111	115	130	133	120	..	..	..	..	98
Low	87	..	..	..	..	..	95	75	80	84	

TABLE II—DIVIDEND REQUISITES

	Amount Outstanding	Average Available Income	Dividend Requirements	Margin of Safety
American Gas & Electric—common	$5,772,700	$933,023	$577,270	61%
Pacific Gas & Electric—common	34,004,058	1,256,197	1,760,208	..
United Railways & Elec. of Balt.—common	20,461,260	720,541	818,568	..
The North American—common	29,763,300	2,160,897	1,489,665	31%
El Paso Electric—common	2,914,100	346,185	291,410	17%

The Public Service Commission when granting the seven-cent fare announced that it considered the company entitled to earn a net revenue of $1,000,000 per annum in excess of maintenance, fixed charges, etc. It will, therefore, be observed that this company may at the close of the year be about $500,000 away from its conceded net requirements. This does not by any means indicate that the United Railways is in any dangerous financial condition, but it can hardly be called a satisfactory situation.

The United Railways and Electric Company, although it has had many vicissitudes in the last ten years, should be in excellent financial position and well able to stand the shock of hard times. The company has paid no dividends on its common stock since 1919, but has been placing large sums of money back into the property. Many economies have been put into effect, the results of which may not be apparent until the results of operation for the next few months are analyzed. Any improvement in the industrial situation should be readily reflected in the company's earnings.

In the meantime its securities are selling at ridiculously low prices. If the company under the present unfavorable conditions is still able to earn a surplus of half a million dollars after taking care of necessary maintenances, etc., then the situation is by no means so precarious as to justify the present low prices for its securities. The company's management has ever been resourceful and I am inclined to believe that the common stock of this company has reached so low a point that it is entitled to a rally. Further, that should the net income account show the gain at the time of the next issuance it is more than likely that the common will again be receiving the dividend.

The North American Company

This is a company that can show earnings running well ahead of 1920 and of dividend requirements. As Mr. R. M.

Masterson says in his article in the last issue of THE MAGAZINE OF WALL STREET on North American Preferred: "To say the least, it is refreshing to look into the securities of such a company and when they are found to offer attractive possibilities both for speculation and sound investment the discoverer of the situation may well congratulate himself." This company was well covered in the last issue. What was said about the preferred stock goes for the common.

If you will look at Table 1 you will note that the present price is 48⅞ points under its highest position in 1912 and 9 points under the low for 1920. The par of the Common stock is $100 and dividends were suspended only once and that was in 1907, but they were soon resumed again and since 1909 have regularly been paid at the rate of 5% per annum.

Earnings

Earnings of the company and subsidiaries available for dividends depreciation, etc., for the 12 months ended June 30, 1921, were 6.70 times the annual dividend requirements. For the past 11 years they have averaged more than four times these requirements and during this period have never fallen below 2.85 times. Also during this period an amount equal to $82.59 per $50 share of preferred stock now outstanding has been reinvested in the properties out of earnings.

Table 4 gives the comparative income accounts of four companies whose stock I would buy. Because of lack of space I was compelled to omit one of these companies. This situation shows that the net balance left after all necessary deductions was $5,396,288, or a 50% increase over 1918.

At $39 a common share, which is quoted at this writing, the price is laughably low. It is almost certain that within a short period this will be considerably above this level. Only once before has the common fell to such a low price and that was in 1917 and 1918, as Table 1 shows. I would not hesitate a moment in buying the common stock of this company now.

The American Gas & Electric Company

Although the present price of the common is around 103 while par is $50, yet the buyer of this stock will undoubtedly show a profit in the long run. This stock is listed on the New York Stock Exchange. The earnings of the company have remarkably increased, as is shown in the accompanying table. The same is true of its dividends, they increasing from 6% in 1911 to 10% which is now being paid. So therefore a purchaser of this stock at the present price of 103 would receive a yield of about 9.70%. It is almost assured that the Company will keep up its present dividend rate. It is prospering. The American Gas & Electric and its combined companies embrace an aggregation of public utility operating companies in the field of electric light, electric power and gas, located in different parts of the United States, all under the same general operating supervision. Practically all the operating companies are substantial earners, located in prosperous and growing communities. They operate in 121 communities in six states and serve a population

(*Continued on page 800*)

TABLE III—DIVIDEND RECORD

AMERICAN GAS & ELECTRIC COMPANY
Common Stock

1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920
1%	6%	6%	7%	8%	8%	8%	10%	10%	10%	10%

PACIFIC GAS AND ELECTRIC COMPANY
Common Stock

1912	1913	1914	1915	1916	1917	1918	1919	1920
5%	5%	5%	6%	5%	3¾%	....	5%	5%

UNITED RAILWAYS AND ELECTRIC COMPANY OF BALTIMORE
Common Stock

1912	1913	1914	1915	1916	1917	1918	1919	1920
1½%	3½%	4%	4%	4%	4%	4%	....	....

THE NORTH AMERICAN COMPANY
Common Stock

1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920
5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%

EL PASO ELECTRIC COMPANY

1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920
6%	6%	6%	9½%	9%	9¼%	10%	10%	10%	10%	10%

TABLE IV—COMPARATIVE INCOME ACCOUNTS

EL PASO ELECTRIC COMPANY

	1920	1919	1918
Gross revenues	$1,931,629	$1,574,676	$1,257,638
Operating expenses and taxes	1,327,170	1,122,263	870,311
Net revenues	$604,459	$452,413	$387,328
Fixed charges	113,482	91,367	81,082
Surplus	$490,977	$361,046	$306,246
Margin of safety	82%	80%	79%
Preferred dividends	47,022	47,022	47,022
Common dividends	291,410	291,410	291,410
Net surplus	$152,545	$22,614	$32,192
Earned on common	15.3%	10.7%	8.9%

PACIFIC GAS & ELECTRIC COMPANY

	1920	1919	1918
Gross revenues	$34,475,372	$25,938,372	$22,595,517
Operating expenses	26,238,902	18,749,127	15,730,330
Net revenues	$8,236,470	$7,189,245	$6,865,157
Other income	910,462	644,316	510,201
Total income	$9,146,932	$7,833,561	$7,375,358
Fixed charges	4,920,436	4,285,257	4,117,066
Other deductions	306,538	207,951	187,019
Surplus	$3,919,958	$3,340,353	$3,071,303
Margin of safety	43%	43%	42%
Preferred dividends	1,777,993	1,526,961	1,490,463
Common dividends	1,700,846	1,708,095	......
Balance	$441,179	$103,207	$1,580,840
Earned on common	5.0%	4.5%	4.6%

AMERICAN GAS & ELECTRIC CO.

	1920	1919	1918
Gross revenues	$15,350,937	$12,331,198	$10,056,609
Operating expenses and taxes	13,249,243	10,277,434	9,083,072
Net revenues	$2,101,694	$2,053,764	$973,537
Other income	896,623	809,806	758,728
Net income	$2,998,317	$2,863,570	$1,732,265
Fixed charges	1,027,237	879,632	790,093
Surplus	$1,971,080	$1,983,938	$942,172
Margin of safety	68%	69%	54%
Preferred dividends	461,805	386,830	354,205
Net surplus	$1,509,275	$1,597,108	$587,967
Earned on common	20%	29%	14%

NORTH AMERICAN COMPANY.

	1920	1919	1918
Gross revenues	$30,611,162	$30,342,837	$24,792,881
Operating expenses	21,110,351	21,604,199	18,478,917
Net revenues	$9,500,811	$8,739,638	$6,313,964
Other income	208,673	207,644	127,548
Total income	$9,709,484	$8,947,282	$6,441,512
Fixed charges	3,459,304	3,547,438	3,275,391
Surplus	$6,250,180	$5,399,844	$3,166,121
Margin of safety	64%	60%	49%
Preferred dividends	525,906	448,782	446,200
Mining interest	327,986	370,361	176,057
Balance for depreciation and common	$5,396,288	$4,580,701	$2,543,864

Utility Bonds Move Higher

Averages Advanced to Highest Levels Since Last March

By **CONRAD H. LIEBENFROST**

THE public utilities continue to forge ahead. The bond index shows a gain in utilities of .83 point, buying prices to the highest level reached since last March.

A clear idea of the price movement of this class of bonds may be obtained from the following tabulation of a standard bond index. This index shows that, although the trend of utility bond prices has been upward since January, the average prices are today 25.10 points under January, 1917, the highest level reached after the war broke out.

Utility Bonds

December,	1914	71.11
February,	1915	73.28
August,	1916	76.61
January,	1917	78.97
September,	1918	62.09
December,	1919	55.08
May	1920	50.65
January,	1921	51.41
February		52.09
March		52.19
April		52.85
May		52.88
June		51.67
July		53.04
August		53.87

New financing has been only moderately active during the past fourteen days. The reception accorded new issues by the public, moreover, indicates that there is only a small amount of undigested securities on the market at present and that investors are in a position to absorb all new issues of a sound character that may be offered.

Corporate financing in August reflected the slowing up of industry and lessening demand for new money for expansion purposes. Taking the three great classes of industry, railroad, public utility and industrial, there was a grand total of newly issued bonds and notes of $109,984,550 against $128,352,360 in July and $110,855,580 in August, 1920.

It is worth while to call attention to the fact that among these new issues there was one—the Bridgeport Hydraulic Company—which carried interest on its new issue of $1,750,000 of only 5%. The rest of the issues range in rates from 6% to 8%. The Bridgeport incident is taken to indicate that, with the lessening demand for money, lowering of interest rates for long-term loans in the future is assured. Naturally enough, those securities of high interest bearing rates put out earlier in the year should increase in market price.

The following table gives the amount of bonds, notes and stocks issued by public utility corporations in August and since the first of the year:

Issued in August:	
Bonds	$37,987,000
Notes	6,233,100
Stocks	4,005,950
Total	$42,176,050
Issued past eight months:	
Bonds	$256,164,900
Notes	60,097,100
Stocks	160,395,440
Total	$476,657,440

About $9,767,000 out of the total of $42,176,050 new financing was for the purpose of retiring maturing securities. This is equal to about 23.1%. The details of this financing are rather interesting and are therefore presented here:

Corporation	Rate %	Amount	Class of Security
Western Union Telegraph 15-Year	6½	$15,000,000	Bonds
Southern California Edison Refunding	6	6,000,000	Bonds
West Penn. Power First, Series D	7	3,000,000	Bonds
Cons. Gas, Electric & Power, Baltimore Cum. Pfd	8	2,500,000	Stock
United Fuel Gas 10-Year	7½	2,000,000	Bonds
Standard Gas & Electric Co	7½	3,500,000	Bonds
Bridgeport Hydraulic 4-Year	5	1,750,000	Notes
Wisconsin Heat & Power First	7½	1,500,000	Bonds
Havana Elec. Ry. Lt. & Power Conv	7	1,500,000	Notes
Middle West Utilities, Series C	8	1,500,000	Notes
Utah Light & Traction First	8	1,401,000	Bonds
New York Steam Corp. Ref	8	750,000	Bonds
Arkansas Light & Power Conv	8	650,000	Notes
Western States Gas & Electric	6	600,000	Notes
Lexington Utilities Ref., Series B	6	560,000	Bonds
Malden Electric Co.	..	584,000	Stock
Dallas Power & Light	..	500,000	Stock
Great Western Power Ref.	7	500,000	Bonds

New Additions to List

Readers will note that five new issues have been added to the accompanying bond index. They will also note that prices have advanced from ¼ of a point to 2 points since the last issue of THE MAGAZINE.

The new issues added to the list are the Central Maine Power Company first and general mortgage 7% gold bonds series A; Milwaukee Electric Railway and Light Company 20-year 7½% refunding and first mortgage gold bonds series A; Duquesne Light Company, Pittsburgh, 15-year convertible 7½% gold debentures; Utah Power and Light Company first lien and general mortgage 7s; Standard Gas and Electric Company secured 7½% sinking fund gold bonds. These are all sponsored by banking houses of the highest integrity and can be purchased by the most conservative investor as high-grade securities. Space will not permit a thorough analysis of all these issues in these columns but the salient features of two of them are pointed out in the following synopsis:

Standard Gas and Electric Company Secured 7½s

These bonds mature September 1, 1941. The company has the option of retiring the issue in whole or in part on 60 days' notice at 107½ and interest prior to September 1, 1926. Interest is payable March 1 and September 1.

The company and its subsidiaries constitutes one of the largest public utility and management organizations in the United States. The utilities are mainly electric and gas properties serving a population of approximately 2,135,000 in 533 communities including Minneapolis, St. Paul, Louisville, Tacoma, Mobile and other important cities. Only 3½% of the gross earnings are derived from traction service.

The annual net revenue from collateral to be deposited is $1,402,000 or over five times the annual interest charges on these bonds. The net revenue of the company is in excess of 2.6 times the annual interest charges on the total funded debt of the company, including this issue. The bonds are selling around $94 and interest at which price the yield is over 8.10%.

Central Maine Power Co. 7s

The Central Maine Power Co. forms a single comprehensive system of hydro-electric plants, transmission lines and distributing system serving 90 cities and towns in 11 of the 16 counties of Maine. The territory extends throughout an old established industrial section and includes practically all the large communities of the state, with the exception of Portland and Bangor, and serves a population estimated at 270,000. The company owns hydro-electric plants having a capacity of 27,900 H.P. and controls undeveloped water power sites totalling 105,000 H.P.

These bonds are secured by a first mortgage on the electric, gas and railway properties in Rockland, Thomaston and Camden, together with a few local distributing systems, and on real estate controlling valuable water power sites of over 50,000 H.P. In addition they will be secured on the entire remaining property of the company, subject to a total of $5,806,500 underlying bonds. The depreciated productive value of the entire mortgaged properties, based on pre-war prices exceeds the total bonded debt of the company. Net earnings for the year ended June 30, 1921, were over 1.8 times annual interest charges. These bonds are due on June 1, 1941, callable in 1926 at 107 and thereafter less ½% for each year. Interest is payable June 1 and December 1.

Investors can buy these bonds at 95½ and interest to yield about 7.45% without worry as to the safety of their investment.

The writer believes that these two bonds are exceptional opportunities. If any further information is desired regarding them, a line to the editor will secure it.

Utility Classifications

The writer was recently asked by an investor to "explain" the various classes of utility bonds. That is, to point out what affects them, how their investment merits should be judged, and so forth. It may not be out of place to do this explaining here, starting off with what are known as "water-power" bonds.

Water-power bonds, or hydro-electric power bonds, derive their name from the fact that the companies issuing the bonds receive their income from electricity generated from water-falls, or from steam-generated electric power derived from auxiliary stations and produced in connection with rivers of great variability of flow.

Investors should not fail to examine the status and outlook of companies issuing electric power bonds. An issue of power bonds is very seldom offered unless the company is in a period of construction.

The security for such bonds is revenue derived from the sale of power. This revenue is determined by the extent and reliability of the power supply and of the power demand. These factors can be determined when the bonds are issued.

Water power bonds should be bought in the underwriting and construction periods when they may be had at a generous discount and sometimes with a stock bonus. When bought in this period, they are known as "a business man's investment" which is nothing more than a conservative speculation. Bonds of good companies bought with care during the period of development seldom fail to register at least some moderate appreciation.

One of the most favorable features about investment in hydro-electric power bonds is the fact that it is possible to tell almost to the point of accuracy just what the income will be from certain conditions. It is comparatively easy for the statistician of a power company by conferring with the engineers, to estimate with a surprising precision what will be the minimum income of the company after a year's operation. Of course to do this it is necessary to have the larger portion of the contracts signed and turned in. But, what other class of business can be assured of such accuracy in its income; probably no other industry has a minimum revenue insured by contracts. Besides this peculiarity, power companies are free from many of the other trouble-makers of the Public Service corporations. Usually a power company, once constructed, equipped and paid for out of the proceeds derived from the sale of its securities, can meet all other expenditures out of its income. It is seldom if at all that an electric power company is troubled with the worries of a complicated system of funded indebtedness. A simple accounting system is thus permitted and bond holders are enabled quickly to ascertain the company's condition.

The market for power bonds is usually narrow. They are not subject to the extremes in price that offer opportunities for profit or loss in liquidation. The bonds of successful companies almost never go begging, and they suffer less depreciation than classes of securities in which ownership is more frequently transferred.

All in all water-power bonds are a particularly desirable investment for those who are capable of making a sound, independent investigation and who seek a large return with reasonable security, rather than a high degree of convertibility.

The writer believes that all the power bonds quoted in the accompanying index measure up to the standard just described. The investor can choose any of these bonds and feel that he is loaning his money to a company which will certainly pay it back.

UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Price	Yield
Atlantic City Electric Co. 5s, 1938 (a)	68¼	9.80
Bronx Gas & Electric Co. First 5s, 1960 (a)	68	7.50
Buffalo General Electric First 5s, 1939 (c)	89	6.00
Canton Electric Co. First 5s, 1937 (b)	85½	6.50
Cleveland Electric Ill. Co. 5s, 1939 (b)	88½	6.05
Cleveland Electric Ill. Co. 7s, 1935 (a)	101	6.90
Denver Gas & Electric Co. First 5s, 1949 (c)	81	6.40
Duquesne Light Co., Pittsburgh, 7½s, 1936 (b)	98½	7.65
Evansville Gas & Electric Co. First 5s, 1932 (a)	84	7.15
Kansas City Elec. Util. First 5s, 1925 (c)	78½	12.10
Kansas Gas & Electric 5s, 1922 (a)	97½	7.00
Indianapolis Gas Co. 5s, 1952 (a)	76	6.90
Louisville Gas & Elec. Ref. 7s, 1923 (c)	97¼	8.00
Nevada-Cal. Electric First 7s, 1946 (c)	94	7.40
Northern Ind. Gas & Elec. Ref. 5s, 1929 (c)	75	9.10
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941 (c)	93	8.20
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929 (a)	84	7.70
Peoria Gas Electric 5s, 1923 (a)	93	8.80
Rochester Gas & Electric Corp. Series B 7s, 1946 (b)	97¼	7.25
San Diego Cons. Gas & Electric First Mtgo. 5s, 1939 (a)	80	6.95
San Diego Cons. Gas & Electric First Mtgo. Ref. 6s, 1939	87	7.30
Standard Gas & Electric Conv. S. F. 6s, 1926 (b)	87	9.80
Standard Gas & Electric Secured 7½s, 1941 (c)	94	8.10
Syracuse Gas Co. First 5s, 1946 (a)	77	6.95
Syracuse Ltg. Co. First 5s, 1951 (a)	77	6.80
Twin-State Gas & Electric Ref. 5s, 1952 (c)	66	8.30
Westchester Ltg. Co. 5s, 1950 (a)	..	..

TRACTION COMPANIES

	Price	Yield
Arkansas Valley Railway Light & Power First & Ref. 7½s, 1931 (b)	96	8.00
American Light & Traction Notes 6s, 1925 (c)	94	8.00
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940 (a)	64	8.90
Danville, Champ. & Decatur 5s, 1938 (a)	68	8.55
Georgia Ry. & Power 5s, 1954 (b)	78½	6.85
Kentucky Traction & Terminal 5s, 1951 (a)	57	9.25
Knoxville Ry. & Light 5s, 1946 (b)	68	7.90
Milwaukee Light, Heat & Traction 5s, 1929 (a)	85	7.50
Milwaukee Elec. Ry. & Light 7s, 1923 (c)	97	8.60
Milwaukee Elec. Ry. & Light 20 year 7½s, 1941 (b)	95	8.00
Monongahela Valley Traction Co. Gen. Mtge. 7s, 1923 (c)	89	13.40
Memphis St. Ry. 5s, 1945 (a)	94	8.55
Northern Ohio Trac. & Lt. 6s, 1926 (c)	86	9.60
Northern Ohio Trac. & Light 6 Year Sec. 7s, 1926 (c)	84	6.50
Nashville Ry. & Light 5s, 1953 (a)	76	6.80
Portland Ry. Power & Light First Lien & Ref. Series "A" 7½s, 1946 (c)	96	7.80
Topeka Ry. & Light Ref. 5s, 1933 (c)	64	10.20
Toledo Traction Lt. & Power Co. First Lien 7s, 1921 (b)	98½	10.60
Tri-City Ry. & Light 5s, 1930 (c)	77	8.70
United Light & Rys. Ref. 5s, 1932 (c)	75	8.50
United Light & Rys. Notes 8s, 1930 (c)	99	8.15
Waterloo, Cedar Falls & Nor. 5s, 1940 (a)	50	11.80

POWER COMPANIES

	Price	Yield
Adirondack Power & Lt. Corp. First & Ref. Gold 6s, 1950	86½	7.10
Adirondack Electric Power Co. First 5s, 1962	85	6.00
Alabama Power Co. First 5s, 1946 (a)	81	6.50
Appalachian Power Co. First 5s, 1941 (a)	73	7.60
California Oregon Power Co. First & Ref. 7½s, Series A, 1941 (c)	100	7.50
Central Maine Power Co. First & Gen. Mtge. 7s, Series A, 1941	95½	7.45
Central Maine Power Co. 5s, 1939 (a)	85	6.50
Central Georgia Power First 5s, 1938 (c)	69	8.50
Columbus Power Co. (Georgia) First 5s, 1936 (a)	86	6.65
Colorado Power Co. First 5s, 1953 (c)	76	6.80
Connecticut Power Co. First Con. 5s, 1963 (b)	85	6.00
Consumers Power Co. (Mich.) 5s, 1936 (a)	88	6.80
Electric Dev. of Ontario Co. 5s, 1933 (b)	84½	6.85
Great Northern Power Co. First 5s, 1935 (a)	83	7.00
Great Western Power Co. First & Ref. 7s, Series B, 1950 (a)	96	7.35
Great Western Power Co. 5s, 1946 (a)	82	6.45
Hydraulic Power Co. First & Imp. 5s, 1951 (b)	85	6.05
Idaho Power Co. 5s, 1947 (a)	80	6.60
Kansas City Power & Lt. 8s, 1940 (c)	99½	8.05
Kansas City Power & Lt. First 5s, 1944 (c)	80	7.25
Laurentide Power Co. First 5s, 1946 (b)	83	6.40
Lynchburg Water Power Co. First 5s, 1932 (a)	79½	7.75
Madison River Power Co. First 5s, 1935	87	6.40
Mississippi River Power Co. First 5s, 1952 (c)	78¼	6.65
Niagara Falls Power Co. First & Consolidation Mtg. 6s, 1950 (b)	92	6.62
Ohio Power First & Ref. 7s, 1951 (c)	94	7.50
Penn. Ohio Power & Lt. Notes 8s, 1930 (c)	94	9.00
Potomac Electric Power Gen. 6s, 1923 (c)	98	7.10
Salmon River Power First 5s, 1952 (c)	82	6.30
Shawinigan Water & Power Co. First 5s, 1934 (b)	89	6.25
Southern Sierra Power Co. First 6s, 1936 (c)	91½	6.90
S. W. Power & Lt. First 5s, 1943 (c)	83	6.45
West Penn. Power First 7s, 1946 (c)	98½	7.12
Utah Power & Light Co. First Lien & Gen. Mtg. 7s, 1925 (a)	98	9.10

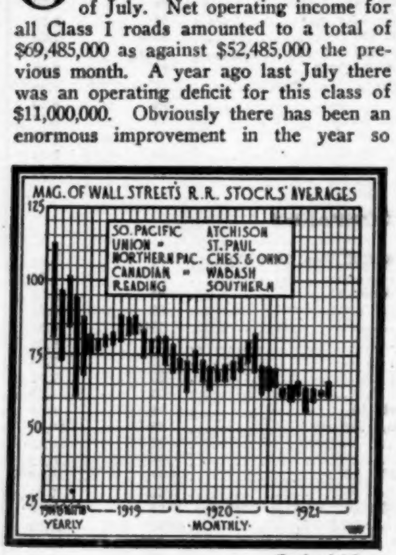
Trade Tendencies

Stronger Tone Visible in Business

Irregular Conditions Still Prevail but the Trend Is Upward

RAILROADS

ON face, excellent results were shown by the carriers during the month of July. Net operating income for all Class I roads amounted to a total of $69,485,000 as against $52,485,000 the previous month. A year ago last July there was an operating deficit for this class of $11,000,000. Obviously there has been an enormous improvement in the year so



To Sept. 22.

far as these figures seem to indicate. Actually, net operating income in July amounted to about 4½% on the invested capital which does not fall far short of the 6% stipulated in the Railroad Act.

There are three factors to consider as leading to this improvement. One is the lower operating cost, principally due to the wage reductions; the second is the exceedingly small allotment for maintenance work, and third is the considerable improvement in traffic conditions since the beginning of the Spring months, with rates generally about 15% higher than a year ago.

It is estimated that savings from the wage reductions alone amount to about $30,000,000 a month so that about 40% of the increase in net operating income is due to that item. On the other hand, gross earnings for July were about $64,000,000 under those of the same month last year which is accounted for by the fact that the volume—although recently showing an increase—is nevertheless 20% below that carried last year at the same time. Even with the approximately 15% advance in rates, it is obvious that the improvement in net operating income is not due in a major sense to the larger amount of freight being carried since the beginning of Spring (a proper comparison is with the amount carried last year, the same month, which was very much larger). It is apparent then that as contrasted with last year the better railroad showing is not a result of traffic conditions which, in fact, although improved since April, are poor in comparison with those of July, 1920.

The only remaining item for discussion is the maintenance account. Roughly, from the figures presented above which show that out of the $69,485,000 net operating approximately $30,000,000 is due to the wage reductions, and with no part of this due to traffic movements as contrasted with last year, about $40,000,000, or more than half, are due to maintenance skimping. These figures are of the very roughest description but they may suffice to indicate the real reason for the apparently great movement in the earnings of the carriers.

As stated before in these columns, maintenance accounts which are skimped this year and possibly next must sooner or later be made up. The results in that case will be apparent in the earnings reports submitted by the companies. On the other hand, it would be unfair to assert that the railroads have not after all improved their condition. Certainly their operating costs for both labor and materials are lower and this is a fundamental factor. Additionally, the volume of traffic shows a steady increase and if this is maintained for a sufficiently great period, even better results should be shown by the carriers. Nevertheless, the maintenance item is of some concern to serious students of the railroad situation and it is a question whether the smaller spending for legitimate and necessary purposes will turn out eventually to be the best thing for the interest of the railroads.

THE TREND

STEEL—Trend irregularly upward. Leading interest shows higher rate of operations. Pig iron continues improvement. Railroads not buying much steel or rails, however. General outlook encouraging.

RAILROADS—July earnings show big increase due partly to lower operating costs and partly to skimping of maintenance. Traffic continues to improve. Uncertain labor conditions.

OIL—Refined products still soft with exception of gas oil which continues to improve. Crude oil production falling moderately. Earnings for companies not likely to be large this year.

CHEMICALS—Dyes, fine chemicals and drugs very quiet. Heavy chemicals are ready to reflect improvement in general industrial situation, provided prices are cut to meet consumers' ideas.

WHEAT—Extremely sensitive market. Underlying factors. Outlook does not seem to favor a permanently higher range.

SILK—Manufacturing activities on the increase. Large stocks of raw silk. Prices not likely to go higher.

COAL—Soft coal prices still at bottom. Export demand negligible. Domestic demand shows little improvement. Outlook still unfavorable, although there should be an increase in activity later on this Winter.

MOTORS—Ford cuts plant operations to five-day basis. Other manufacturing activity shows decline. Prices of cars are still being cut. Large supply of used cars on market. Outlook for Autumn and Winter not encouraging.

METALS—Copper slightly firmer, with prospect for an increase in demand. Lead especially firm, but tin and zinc are reactionary.

SUMMARY—Conditions are still irregular, but the trend in industry seems slowly upward, although too slow to have an appreciable effect on the situation in the next few months. Employment in certain centers is somewhat higher. Commodity prices act more strongly. Considerable amount of labor unrest from which disturbing conditions may arise later on. Farm products moving rapidly. The South already shows the effect of improved conditions. Broadly, there is reason for encouragement.

CHEMICALS

Irregular Conditions Still Prevail

The chemical industry is still showing the effects of depression, the actual amount of business transacted being of relatively small proportions. However, of late there has been a notable increase in the volume of inquiries, such as has not appeared for a number of months, and this would seem to denote that the market is becoming sensitive to the probably approaching greater period of industrial activity. Greatest interest centers on next year's prices. It is generally conceded that if manufacturers lower their price basis somewhat this will attract a very satisfactory volume of business. Contrariwise, if prices are not lowered it is unlikely that consumers will modify their present attitude of conservatism.

It is impossible to forecast the future course of the market pending further information concerning the Fordney tariff bill. A very considerable number of products are involved and if, as is likely, this section of the bill fails to pass, foreign competition on a large scale is a good probability. In that case, of course, prices would have to come down regardless of the attitude of domestic manufacturers on that matter.

The dye market is still unsettled and in fact is weak on account of the fact that a considerable amount of foreign dyes is still available in this market tending to depress prices. While domestic consumptions of colors is increasing principally

owing to the improvement in the textile situation, the amount available for consumption is still large enough to entirely offset this encouraging factor. The dyestuff industry, of course, will improve with an improvement in basic conditions and inasmuch as this is probable within a reasonable period, it may be anticipated that the future trend of the amount of business done in this market will be upward.

Business in drugs is quiet. Certain pharmaceuticals are actively demanded but this does not apply to the bulk of the list. Fine chemicals are also disposed to be quiet and little improvement is looked for in the immediate future.

In a general way, the allied chemical industries seem to be on the verge of improvement. The fertilizer situation has been considerably cleared up by the improvement in conditions in the South owing to the advance in cotton prices. This, however, will not be reflected in the status of the respective companies until the winter months, when the demand for fertilizers should commence to show an increase.

Other heavy chemicals are in an improved condition owing to the better outlook for heavy manufacturing lines and should correspondingly show a good increase in demand, although, as mentioned above, this will depend largely on the price element. The dyestuff situation is still unsettled but some improvement may be looked for. Fine chemicals and drugs probably have a few more months of dullness before they begin to participate in the generally improving conditions.

COAL

Conditions Still Stagnant

There has not been much change in the bituminous coal market. Prices are about the same and demand shows no signs of recovering to a high pitch within the near future. Domestic stocks in the hands of consuming interests are still fairly large. The railroads have not seen fit to enter the contract market extensively and other consumers seem to be wary.

Production, viewed broadly, has slumped off a great deal and many mines have shut down as a consequence thereof. The rate of consumption, however, is not sufficiently large to offset the decline in

Wheat

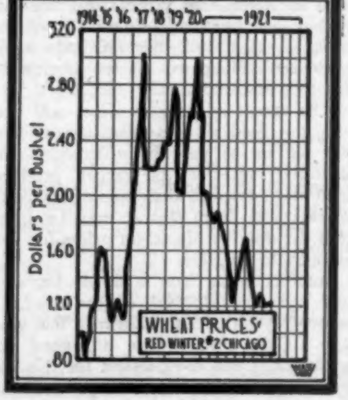
Can Prices Stay Up?

The wheat market has been subject to so many contradictory influences and is still subject to these influences that it has not only confused economic thinkers but those professionally engaged in this market. As usual, wheat is subject to three underlying factors: first, its statistical position with reference to the world supply; second, the professional and speculative influences to which this market is always subject, and, third, the general economic situation, viz., the world purchasing power such as it is constituted today, and is likely to be constituted within the near future.

Regarding these factors broadly, sound economic reasoning must arrive at the conclusion that at least two of them must result in an unfavorable estimate of the possibility for an advance in wheat prices. These two factors are the statistical position and the purchasing power of the world, particularly the latter, concerning whose status there is absolutely no doubt, although there is a reasonable doubt as to the former, conditions changing so rapidly that what appears to be a favorable world crop situation one week may turn out the contrary the next week. With regard to the latter factor, however, it does not appear likely that the world crop will be very much under last year's output, although a broad view indicates that in certain parts of the world a certain amount of damage has actually been done.

In the United States this year's full crop will be somewhat smaller than that of last year and this is possibly true of Canada, the Argentine, Australia and other parts, including Europe. It is impossible to estimate by how much the crop will fall short but that it will do so to some extent at least is a reasonable assumption from the facts at hand. Nevertheless the difference between this year's crop and last year's is not sufficiently large in itself to result in a very marked change in the price situation.

Of course, this view may or may not be modified by actual reports of crop conditions which are about



to assume an authentic character. For example, the European crop does not appear to have been damaged as completely as originally estimated, although the Russian situation is still very bad. Also, there is a reasonable doubt as to the situation in the Argentine, which may also turn out to be better than expected. In the United States, however, it is generally accepted that the crop will be of very large proportions, although under last year's amount.

So far as the professional influences are concerned, it is understood that the short-interest is not particularly large, which to that degree removes the possibility of an impetus toward higher prices. Additionally, the farming sections are busy selling their product, especially on every upturn in the market. Broadly, therefore, the stronger influences seem inclined toward the bear side of the market.

On the score of the purchasing power of the world, there is absolutely no doubt. The large importing nations, particularly in Europe, while they are in need of wheat, are not in a position to pay high prices, and if compelled to do so this will most certainly react on their ability to purchase other commodities, particularly manufactured goods, from this country. This country, of course, is in a superior position to pay high prices, but the price of wheat is not so much dependent on conditions here as it is on world conditions, and if the world at large is not able to buy or will not pay the prices demanded, the result is bound to be toward lower prices.

These fundamental considerations result in a rather unfavorable impression of the price situation with regard to wheat. Undoubtedly, sympathetic action with other markets, particularly cotton, foreign exchange, etc., should from time to time result in marked upturns, especially if the short-interest increases, but the broad trend should inevitably work toward lower prices. And when it is considered that wheat is still selling out of line with other commodities, this impression is strengthened.

production so that the statistical position hardly seems more favorable than a few months ago.

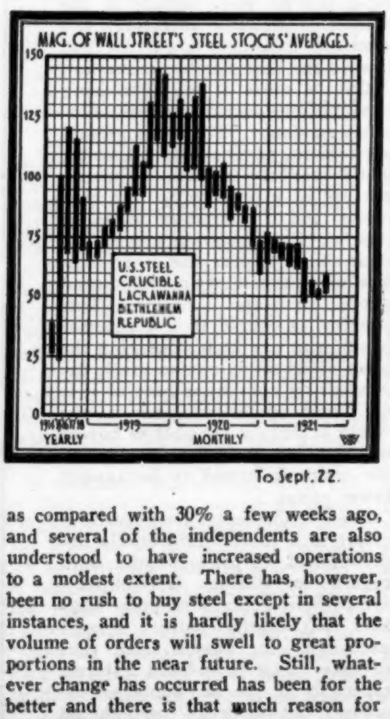
The export trade has vanished to almost nothing. It is evident that the foreign markets that import coal from us are very generously supplied for the time being. Exports through the main shipping centers —Hampton Roads, Baltimore and Philadelphia—have declined to a point where they not only do not compare favorably with the peak of last year but even with pre-war days. From this fact a good idea can be gained of the condition of the export market for this commodity. It is becoming evident that England is gradually regaining her coal markets abroad and that she is bound to again become the leading world's factor in this respect.

Bids for soft coal are taken at low figures, indicating that there is not much of a chance for prices to go higher this Winter. Competition is very severe both for export and domestic sales and under present conditions it is difficult to see the possibility for an early improvement in this trade.

STEEL

Further Progress Made

The steel market shows an irregular drift upward with regard to the amount of business being placed with the leading firms. It is understood that the rate of United States Steel output is about 35%



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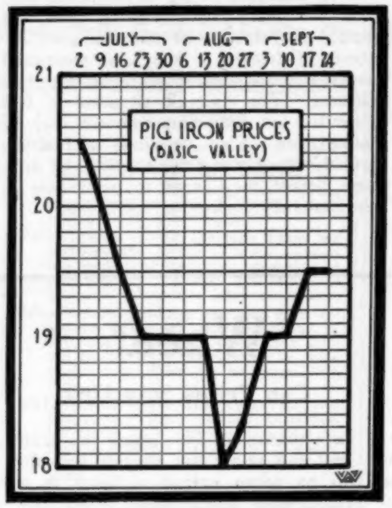
as compared with 30% a few weeks ago, and several of the independents are also understood to have increased operations to a modest extent. There has, however, been no rush to buy steel except in several instances, and it is hardly likely that the volume of orders will swell to great proportions in the near future. Still, whatever change has occurred has been for the better and there is that much reason for encouragement.

There is a conflicting price tendency. There have been several instances of price advances in special products but the general bulk remains either about the same or is actually quoted on a lower price basis. Sheets have been advanced by the Steel Corporation. On the other hand, one of the independents has announced a reduction in the price of a special sheet product. The general tendency for sheets, however, is upward and it is likely that the warehouse interests will announce an advance shortly in conformity with the advance by the mill interests.

Semi-finished steel is firmer, especially



sheet bars on account of the advance on the finished product. Bars and plates, on the other hand, remain weak with little prospect of early change.

The light rail market appears in a weak position on account of slim railroad buying. With steel bars lower, it is probable that light rails will not be able to resist the tendency toward lower prices and, in fact, it is understood that any large order would break the present price level. Heavy rails are extremely dull and it is not likely that the carriers are going to buy heavily this Autumn. Track material is also dull, the railroads having evidently anticipated their requirements for this material.

The recent advance in wires will probably not hold as consumers are evidently not willing to pay the difference. Incidentally some of the larger producers have not advanced their quotations in this market and from this it may be judged that the stability of present prices for wires is open to question.

Interest in pig iron is slowly increasing and the general level of the market is somewhat higher than that of a few weeks ago. Coke prices have advanced sympathetically and the demand for this commodity is closely paralleling that of the iron product. A few new furnaces have been blown in as a reflection of the increased demand. While the demand for pig iron is not likely to assume violent proportions in the near future, the trend nevertheless is distinctly upward and should continue so for a considerable period.

In a general sense, both the steel and pig iron markets are in better shape than has been the case during the Summer months. Interest in these products is broadening and there has been some reflection of this in the increase in the actual amount of business transacted. It is not to be expected, however, that the steel and allied industries will immediately get back to a very actively condition. Some of the large consuming interests, such as the railroads and the associated farming interests, are practically out of the market and, until their return, there cannot be anything like a completely satisfactory situation. On the other hand, the improvement already noted may be taken as a sign of better things to come.

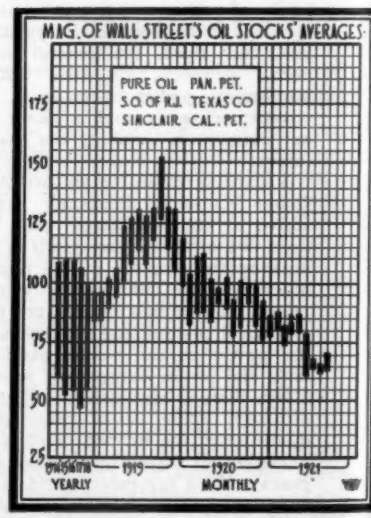
OIL

Outlook Still Gloomy

The refined oil situation does not appear to have improved nor does it show indications of early improvement. On the contrary, the various markets, generally, vary from dull to weak and show the influences of bearish factors in no uncertain manner.

The gasoline situation is not as good as it might be. Demand is still fairly strong but not up to expectations. Prices have been reduced in the New Jersey district and similar action is expected shortly in New York. Export prices are lower and there is now not much hope that this particular market will improve within the near future. Kerosene is rather weak and indications are that this commodity will shortly be quoted on a lower price basis. Both gasoline and kerosene may be considered weak spots in the general market.

Fuel and gas oil are in a more promising condition and demand seems to have



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improved a little for these commodities. Holders do not appear anxious to contract for a period at the present levels and it is possible that with the steady influx in demand expected from now on prices may be advanced. The export department of this market is also in better shape.

Daily crude oil production in the United States for the week ended September 10 is estimated at 1,275,040 barrels, against 1,292,270 barrels for the previous week. This represents a decline in daily average production of about 17,000 barrels. For a period, production in this country has been declining so that slowly

(*Continued on page 792*)

Legal Notes

Digests of Important Recent Decisions

Edited by **HARRY CRONE, of the New York Bar**

Corporations—Directors—Cumulative Voting

WHERE the certificate of incorporation contained a provision that the holders of preferred and common stock in the corporation had equal rights to vote and might do so cumulatively, and where the provisions of the General Corporation Law of the State of New York provided that any stock company could provide that at elections of directors each stockholder is entitled to as many votes as shall equal the number of shares of stock multiplied by the number of directors to be elected, the Court of Appeals held recently that the minority stockholders had such right to vote cumulatively at the election of directors and that such voting allowed a stockholder to use his total number of votes for one director or for as many as were to be elected.—In re Jamaica Ice Co., 229 N. Y. 516.

Tax—Transfer—Securities

The Court of Appeals recently decided that according to the provisions of the Tax Law of the State of New York, an owner of securities may exempt them from taxation upon their transfer by either paying to the Comptroller of the State of New York a stamp tax or by paying a personal property tax on them.—In re George W. Otis, 229 N. Y. 517.

Corporations—Tax—Capital Stock

The Court of Appeals of the State of New York recently prescribed the method for arriving at the tax upon the capital stock of a corporation. The taxing body must first exclude all exempt property, find out whether there is a surplus which must be taxed and then subtract from that the assessed value of the real estate and stock of other corporations taxable.—Federal Terra Cotta Company vs. Purdy, 229 N. Y. 519.

Check—Fraud—Fictitious

The holder of a check cannot compel payment where it was made to the order of a fictitious person and where the transferee received it under a forged indorsement.—United Cigar Stores Co. vs. American Raw Silk Company, 229 N. Y. 532.

Investments—Insurance Companies

The legislature of the State of New York recently amended the Insurance Law with regard to investments of all insurance companies except life insurance companies to the effect that the minimum cash capital shall be invested in stocks or bonds of the United States or of the State of New York and that the cash capital of foreign insurance companies shall be similarly invested in a similar class of securities and that the balance over and above the capital and surplus may be invested in any securities of any of the States of the United States or any bonds or mortgages in the State of New York.—Chapter 255, Laws of 1921.

Tax—Income—Interest

The legislature of the State of New York recently amended the tax law so that in case the amount of the tax paid is less than the amount computed, the excess must be paid to the Comptroller of the State of New York within ten days after the amount is computed by the Comptroller. If such underestimate is made in good faith, no interest, penalty or additional tax will be levied against the taxpayer. If it is due only to negligence, 5% of it shall be added, together with interest of 1% a month. If it is fraudulent, the tax shall be doubled, and 1% added.—Chapter 267, Laws of 1921.

Stock—Sales of Corporate Stock

Proposals and letters looking toward the possible purchase of shares of stock giving offers together with prices thereof and answers to such was recently held by the First Department, Appellate Division of the Supreme Court of the State of New York not to be a sale of stock but only constituting negotiations looking toward their probable purchase.—Topliff vs. Schimpff, 196 App. Div. 198 (1921).

Banks—Transfers by Cable

Under a recent ruling in one of the Municipal Courts of the City of New York, it was decided that the term "cable transfer" does not contemplate a transfer of money but constitutes merely a sale of credit.—Safian vs. Irving National Bank, 115 Misc. 387 (1921).

Telegraph Company—Messages

The same duty to properly carry out its obligations with regard to the transmission of messages is owing to the receiver of a telegram as well as to the sender of it. City Court, New York.—Freschett vs. Western Union Co. 115 Misc. 289.

Taxes—Corporations—Transfer of Stock

By a recent amendment of the Tax Law of the State of New York, which became effective July 1, 1921, all the powers with regard to the collection of taxes upon corporations or upon the transfers of stock were transferred from the Comptroller of the State of New York to the State Tax Commission.—Chapter 443, Laws 1921.

Futures—Margins

Under a recent decision of the Appellate Division, First Department, a corporation which by its certificate of incorporation is authorized to deal in any character of personal property, has the power to make a contract for the purpose of speculating in cotton futures and cannot thereafter fail to fulfill such contract and seek to recover margins, deposited by it with brokers upon the ground that the contract was against public policy. But as there was no proof in this instance that the cotton was not to be delivered and accepted, the court held that the contract was not a gambling contract.—Scandinavian Import-Export Co., Inc. vs. Bachman, 195 App. Div. 297 (1921).

Corporations—Increased Capital Stock—Subscriptions

Stockholders of a corporation are entitled to a reasonable time to subscribe for the increased capital stock.—Hoyt vs. Great American Insurance Co., 115 Misc. 1.

Monopoly—Restraint of Trade

An agreement between an organization of stone masons and of contractors to prevent a competitor from obtaining laborers to do mason work is in restraint of trade and is illegal.—Brescia vs. Stone Masons, 195 App. Div. 647 (1921).

Corporation—Stock—Residence

The county in which a domestic corporation has its principal place of business was recently held by the Appellate Division to be its residence.—Cawel Realty Co. vs. Jonas, 195 App. Div. 662.

Income Tax—Non-Resident

A cotton goods merchant whose place of residence is Connecticut but transacts business in the State of New York is taxable upon orders for foreign trade obtained by him, as the court held that he was doing business in the State of New York.—Stafford vs. Travis, 195 App. Div. 635 (1921).

Savings and Loan Association—Shares—Dividends

The legislature of the State of New York recently enacted a law that dividends upon shares in savings and loan associations may not be declared for a longer period than from the date of issuance.—Chapter 75, Laws 1921.

Drafts—Endorsement—Forged

The Appellate Division, First Department, recently laid down the rule that it is the duty of the holder of negotiable paper to inform the bank immediately upon the discovery of forgery if thereafter the bank is to be held legally liable.—Annette vs. Chase National Bank, 196 App. Div. 632 (First Department, April, 1921).

Banks—Deposits—Bankrupt

A bank can set off deposits of bankrupt depositor for moneys owing it by bankrupt despite his insolvency.—In re Cross 273 Fed. 39 (1921).

Common Sense in Speculation

Reversing the Usual Methods—The Campaign Trading Plan

By **CHARLES A. KELLEY**

WHAT is speculation? To invest money with the idea of more than usual profit therefrom. For our purpose this may be subdivided into—"Long pull transactions" and "Trading transactions." In the former it is quite obvious that the speculative cycles of thirty to fifty points or more and extending over a period of months and years are contemplated. The tops and bottoms of such cycles cannot be judged with anything like the precision that is possible with intermediate swings with which we shall deal under the head of "Trading transactions." The latter cycles are the ones that are caused primarily by the technical conditions of shifting supply and demand. They are of five to twenty points in magnitude, and run from one week to three months, the average probably being about four weeks. Expressed another way, this cycle is the shortest one that can be identified by external observation of the condition known as "Saturated Trading Density." It might be said that these swings are characterized at the reversal points by such a concentration of volume that it forms an obstacle or the price would necessarily go farther (up or down as the case might be.) A more definite idea of this may be given further on. It will be assumed that my readers are reasonably familiar with Wall street terms.

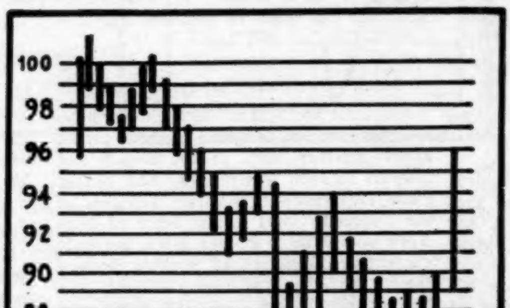
The Most Profitable Trading

It is my experience that the most profitable trading is that based upon technical conditions, allowing perhaps not more than 10% weight for "value" in reaching decisions. On the other hand when making "long pull" commitments some weight should be allowed for technical conditions so as to get a reasonably good position. Proper consideration of technique will often enable one to take a position, say, five to ten points more favorable.

It is most important to remember that no matter how simple and practical a plan may seem to be, no matter how well you understand it, as a prudent business man you must not risk more than a negligible amount of money in the practice of it until, by actual and repeated operation of the plan, there remains absolutely no doubt of your ability to do, in fact, what you have learned. In dollars this should be at least two of profit to one of loss.

Take my own case:—After exhaustive study, repeated paper tests and after months of actual trading the first results of which were persistent losses there followed a series of successes (after I had gained better control of myself). Then, again, I found myself slipping and losing. I immediately checked up all of my commitments and came to the conclusion as several times before that the plan was O.K. and was not the source of the trouble. My operation of the plan, meddling with my stop loss orders proved to be at fault.

The check-up revealed that there had been fifty-five commitments made in the five months' test period. Of these forty-two were according to rule *and if carried through to a logical conclusion according to the plan* would have resulted in 258 points of profit against 35 points of loss. It is debatable whether the 23 correct cases would have been continued even in full observance of the rules to a point where all of the 258 points profit would have been realized but if we cut this down to 129 points profit vs. 35 points loss on the remaining commitments made according to "Hoyle" we obtain a ratio of $3.60 profit to $1.00 loss. Paradoxically, there were 19 unsuccessful though correct transactions; 23 successful transactions; and 13 incorrect, improper, entirely inexcusable transactions. Total, 55.



I have gone to this length in explanation of the foregoing entirely to emphasize the necessity of practicing with real money on a small scale to the point of utter monotony before risking your real trading capital.

Of course if you can co-operate with any person who is working along similar lines it will be helpful but it is essential to make a running test of the methods which will be outlined. It will be most satisfactory to keep daily records for six of the active stocks. This record is best kept in chart form and should show daily range, high, low and closing prices and daily volume of sales for the individual stocks. It is best also to run a chart of average prices and sales for the entire market. Then make your deductions predicting next move in each of your six stocks. You will not find it possible to make predictions every day. After a time, perhaps in a month or two, you will find that your predictions are correct in a high percentage of cases. But, beware! If you now start trading you will find it *so* difficult to "tie in" your predictions with actual operations.

Pride of Opinion Versus Money Making

Consider for a moment the character of gossip in brokers' offices. First take the habitual and unsuccesful trader always waiting to get in on a killing. These deluded ones discuss possibilities and probabilities with a great seeming knowledge of the game. They wait for a stock to start moving from any position and guided by one cue or another they sell short or go long and begin pyramiding every point or two and of course nine out of ten times find their pyramid demolished by a sudden reversal of the market and wake up to find that as usual they have assisted the pools and skilled operators to unload at the top or accummulate at the bottom.

Next take even the most successful business men. They will talk with expert knowledge about prosperity and depression and proceed to buy stocks at the top or on slight reaction from a technical rally or throw their stocks overboard on the very day when the initiated clearly discern a reversal in the making.

Of course the man of means who buys stocks increasingly on a scale down, paying cash or practically so, using the same discrimination as he would if about to buy out control of a corporation with whose industry he or his experts were intimately acquainted is in a different category, but even he would profit materially by utilizing technical conditions to determine his buying levels instead of using an arbitrary scale based upon price considerations alone.

Cycles

There is no need to enter into a lengthy explanation of the various cycles which are constantly being formed by stock price movements. It is obvious that while the market may be trending in one direction the immediate direction of prices is often just the opposite. The outstanding fact, evident to a careful student, is this:—It is absolutely impossible for any one to detect definitely the turning points in a major economic cycle, there are too many conflicting factors, too many false starts. True the turns can be identified in retrospect months after when the discounting is proven to be well founded.

On the other hand technical cycles are so easily identified that it would be conservative to assert that not more than one

in ten of the turning points in such cycles need be misjudged. To successfully follow them one should hold no stubborn opinions as to how far a current movement will extend. Of course one should exercise more or less patience in observing signs of the next turning point, according to current business conditions. But when your technical signs have fully developed allow no considerations of changed conditions in business or finance to divert you from your "Campaign of Technical Trading." Above everything do not fear to lose your market position. A period of idleness will be more profitable than action taken without waiting for the next "Technical Turn" in the market or your pet stocks.

Calling the Technical Turns in the Market

Before proceeding with this, the vital part, I must give credit where it is due. Mr. R. D. Wyckoff; Thomas E. Woodlock; Charles H. Dow; H. H. Lake; G. C. Selden, and P. Experience are among those from whom I have gained many practical suggestions as well as most of the acknowledged laws of the game.

At the risk of omitting many explanatory words I shall attempt to codify the rules.

It must be understood that these rules are intended primarily to prevent premature action and that even after they have been entirely complied with further delay will often either confirm or contradict your conclusions, thus still further fortifying your position. At the same time nothing ventured nothing gained must be a part of your creed. So, in a market not too violent, I would act promptly within the rules bearing in mind that the sliding scale of commitments safeguards you from serious loss.

Remember, too, that a commitment of one-fifth of your line resulting in a reasonable swing will net a satisfactory profit on your entire trading capital. It is for this reason that quick action, within the rules should be taken to avoid missing one's market entirely.

The conditions that will be embraced in the following rules will in 90% of the cases cause a substantial reversal, though its extent and time element may be so slight as not to allow the trader to get a profit in more than 50 to 75% of the cases.

One essential to success is for the operator to look upon his losses exactly as overhead expenses, to be kept as low as possible, but none the less inevitable. Have no compunction about quickly taking a predetermined loss. As one writer in this magazine has suggested, it would not be a bad idea to assume an arbitrary 2 or 3 points as the expense of every commitment entered into, which, together with interest—and any other expense incurred in the conduct of your "Technical Trading Business" should be immediately charged to "Operating Expenses." These deducted from your "Operating Profits" will, it is hoped, leave a "Net Profit" of at least 100% annually.

If investors and speculators proceed along the lines suggested, at least a reasonable amount of success should be secured. A number of important rules on trading have been indicated as follows:

RULES:

Chiefly "Do Nots"

1-a. Do not buy any stock until it has declined 5 to 20 points (or more) from the last top.

1-b. Do not sell any stock short until it has advanced a similar distance from last bottom.
Note—When a trading market prevails you may look for swings up and down of 5 to 10 points. If, however, the market as a whole has clearly broken away from a trading level I would not consider that any stock had moved far enough to justify expecting a technical turn unless it were 10 to 20 points from the last turning point. It will be understood that reference is made to the reasonably large volume active trading stocks and not to those selling at $10 to $20 a share.
We might adopt the rule that a turn is not to be looked for unless and until a stock has moved 20% to 40% of its market value except in a trading market when 7% to 15% movement would be ample, the other rules having been satisfied.

2-a. Do not buy until there has been a sharp thrust downward to a price 2 or more points lower than recorded for the movement to that time.
The point of this is that a stock should be assumed not to have completed its move so long as it merely extends its move sagging a little day to day overlapping on its way. (See Chart "*A*.") But when the move is sharply extended into new territory other signs developing it may be assumed to be approaching its end.

2-b. Do not sell short until, after an advance of gradual or irregular character reaching to about the proper distance from last low, there is a sharp thrust 2 or more points higher than recorded for the movement.

3-a. Don't buy (except in a clearly defined trading market) until next day after the sharp thrust when normally a slight extension from ½ to 1¼ points may be expected with very little pressure followed by a rally. If other signs are convincing enough now is the time to buy.
Note—While I have made a practice of acting at this point it is perhaps safer to wait for the development of other indications, but in waiting the opportunity to buy close to bottom may be lost. To buy higher involves placing your "stop" just so much farther from purchase price to get it under the recorded low, thus increasing the risk.

3-b. Don't sell short until the rise has been extended similarly.
Note—The action at top will not be identical with the action at bottom, but there is a striking similarity.

4-a. Don't buy regardless of any of the foregoing rules unless and until there is a day on which the sales are double those for any one of several preceding days. To be significant the volume must be so placed that, say, sixty per cent of it is in the lower third of that day's price range.

4-b. Don't sell short until the same volume condition is met at top prices. Of course the dense trading must be in the upper third of the day's range.

5-a. Don't decide that a purchase made as above is safe until following the preceding indications the price shows resiliency by fluctuating, preferably, above the low of the thrust day. The more sharply it rallies the more likely it is to react, but if for several days it continues to define an upward trend after the heavy liquidation on the way down, it will be a fine indication for a satisfactory upward swing, but we must be prepared for a sharp dip to or near or slightly under the most recent low.

5-b. Don't decide that your short sale is "good" until plenty of irregularity is shown around top. Perhaps seven times in ten this will be followed by another thrust 1 to 5 points higher when your soundings must be repeated just as though you had not so recently formed an opinion. (See stop order rules and rule for correction of errors.)

6-a. Don't leave any "long" commitment unguarded for a moment. Decide before buying how much risk you will take, and take it. My idea is set a mental stop of, say, one full point under the low, and put an actual stop order two points under the low. Then if your mental stop is reached and the stock immediately rallies, take your choice between closing out on the rally or allowing your mechanical stop to act as a dead line. If the latter is for many shares you would do well not to tempt "them" to go and get your stop.
Outside of a trading market I would make the rule that if commitment has been made on first time indications, your stop should be raised so as to keep it just below the resistance points established by lowest prices on succeeding days, until the advance has gone so far that a small profit would result from its execution when it should not again be adjusted except to allow for about a half way reversal before it would be caught.
After rally has gone say 6 or 7 points I would keep my stop about half way, preferably below resistance points established on the way up.

6-b. Don't leave a short sale unprotected by stop whatever you do. In any kind of a market the initial stop should be above the high of the movement, and if sale is made on first time indications I would invariably bring the stop down just above any resistance points (tops) for day or so after.
If sale was on second time indications it will be best *not to* bring stop down from initial position until there has been 6 or more points decline. To a large extent look upon a stop initially placed as beyond recall, as a dead line, but not to be converted into a nuisance. Take it from one who has ample reason to know, stops become a nuisance and the cause of ultimate failure if tampered with. It is on the other hand extremely foolish to let a 10 point profit run away.
Each for himself must adopt a happy medium.

7-a. Don't take profits on long stock until signs appear that would justify a short sale, unless, of course, your hand has been forced by the execution of your profit conserving stop. If at or about the time of your commitment unusual signs of accumulation developed and conditions of business, though improved, show signs of further coming improvement, it would be prudent to "pass up" the first signs of a technical turn in the market on the theory that a resting and digesting spell is needed after which your patience might be rewarded by a further and larger advance before a really important reaction would take place.

7-b. Don't "cover" your short commitments until the stocks in question have shown signs that they are "buys" according to your rules. Do not allow the size of a profit to impel you to take it until the market itself tells you to do so.

8-a and b. Don't fail to cancel at once any commitment which upon fuller consideration proved to be not in conformity with your rules. Experience shows that prompt action when opportunity presents itself will many times permit you to correct an erroneous commitment at cost. Luck and hope are expensive luxuries to lean upon Do not, however, allow any gossip in the financial columns or elsewhere to weaken your faith in a position. It is part of the game to cause by tips and rumors action precisely contrary to the correct one.
Would you with the opportunity present and desiring to pick up a line of stocks send out an invitation for all and sundry to come in and bid against you? Or would you be content to wait until the smoke had blown away and then pass out word that things were improving?

9. Don't suppose that these are put forward as the only conditions under which commitments may consistently be entered into, nor should you mix your methods too much, remembering that with alternatives at your disposal, unless great skill is used in differentiating, the net result might be worse than having no rules. School yourself to realize that your objective is profit making; not trying to get every move a stock makes. At best trying as you will to catch every move you will from necessity miss many of them, so reconcile yourself to missing opportunities as an essential element if you would succeed. Just stop and think how much "shopping" one will do before buying real estate, how many "opportunities" are allowed to pass. In the stock market do likewise.

10. Don't over-trade. This is the original sin. During 1st week of a swing do not exceed ¼ of your commitments; 2nd week, ½; 3d week, ¾, and 4th week your maximum. At your maximum load you should have from 15 to 25 points margin.

11. Don't look upon this as a cut and dried system. On the contrary, it is only an aid to intelligent speculation. The point is that if commitments are not entered into unless and until these conditions are met, still using patience and common sense, you will be almost sure to make money.

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-20		1921		Last Sale	Div'd
RAILS:	High	Low	High	Low	High	Low	High	Low	Sept. 22	$ per Share
Atchison	125⅝	90¼	111¼	75	104	76	87¼	76¼	85⅝	6
Do Pfd.	106⅜	96	102½	75	89	72	81½	75½	80	5
Atlantic Coast Line	148½	102½	126	79⅞	107	82	89¼	77	86	7
Baltimore & Ohio	122⅛	90⅝	96	38¼	55½	27⅝	42⅝	30⅝	38⅝	..
Do. Pfd.	96	77½	80	48¼	59½	38½	54	47	51	4
Canadian Pacific	283	165	220½	126	170⅞	109⅝	119¼	101	112¼	10
Chesapeake & Ohio	92	51½	71	35⅝	70⅜	47	65½	46	55½	..
Chicago Great Western	36⅝	1¼	17½	6	14½	6⅝	9⅞	6⅝	7⅝	..
Do. Pfd.	64½	23	47½	17½	38⅝	15¼	20⅞	14	16⅜	..
C. M. & St. Paul	165½	96⅜	107½	35	52⅝	21	37	22	26	..
Do. Pfd.	181	130½	143	62½	76	36⅜	46⅜	32	39½	..
Chicago & Northwestern	198½	123	136⅞	85	105	60	71	60½	67	5
Chicago R. I. & Pacific	..	..	48⅝	16	41	21½	35	22⅝	33⅞	..
Do. 7% Pfd.	..	..	94⅝	44	84⅜	64	78	63⅜	77⅜	7
Do. 6% Pfd.	..	..	80	35⅝	73	54	67½	56½	66	6
Cleveland C. C. & St. L.	92¼	34⅞	62⅝	21	61	31⅞	48	32	‡34¼	..
Delaware & Hudson	200	147½	159½	87	116	83¼	103⅞	90	103¼	9
Delaware Lack. & W.	340	193½	242	160	260½	165	249	93	110	10
Erie	61½	33½	39½	13⅜	21⅝	9½	15¼	11⅜	13¼	..
Do. 1st Pfd.	49⅞	26¼	54⅝	15¼	33	16¼	22⅜	16½	19	..
Do. 2nd Pfd.	39½	19½	45⅝	13¼	23⅜	12	15⅞	11½	13⅝	..
Great Northern Pfd.	157⅞	115½	134⅜	79¼	100⅝	65⅝	79⅞	60	76½	7
Illinois Central	162½	102⅝	115	85⅝	104	80⅞	98	85½	95⅝	7
Kansas City Southern	50½	21⅝	35½	13½	27¼	13	28⅞	18½	26¼	..
Do. Pfd.	75½	56	65½	40	57	40	52	45½	‡51	4
Lehigh Valley	121½	62⅛	87½	50⅜	60⅝	39⅜	56½	47½	52⅝	3½
Louisville & Nashville	170	121	141⅞	103	122⅝	94	118	97	‡108¼	7
Minn. & St. Louis	*65	*12	36	6⅞	24½	8½	14¾	9	9⅝	..
Mo. Kansas & Texas	51½	17½	24	3⅛	16⅜	2⅛	3	¾	1½	..
Do. Pfd.	78½	46	60	6⅛	25½	3⅝	5⅞	2⅛	3	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	28¼	16	20	..
Do. Pfd.	..	..	64⅝	37½	58⅜	38⅜	48⅜	32½	39½	..
N. Y. Central	147⅞	90⅝	114¼	62½	84¼	64¼	74½	64½	73	5
N. Y. Chicago & St. Louis	109⅝	90	90⅝	55	65	23⅜	61½	39	‡51½	5
N. Y. N. H. & Hartford	174⅜	65⅝	89	21½	40⅞	15½	23½	13⅜	15	..
N. Y. Ont. & W.	55⅝	25½	35	17	27⅞	16	20½	16	20¼	1
Norfolk & Western	119¼	84¼	147½	92⅝	112½	84¼	104⅞	88⅝	95½	7
Northern Pacific	159½	101⅝	118⅞	75	99⅞	66⅝	88¼	61¼	78	7
Pennsylvania	75⅝	58	61½	40¼	48½	37⅞	41¾	32¼	39	2
Pere Marquette	*80½	*15	38⅛	9½	33½	12½	23⅞	15¾	18⅜	..
Pitts. & W. Va.	..	..	40⅝	17⅝	44⅜	21½	32	24½	26⅝	..
Reading	89⅝	59	115½	60¼	103	64⅜	89¼	60⅝	72¼	4
Do. 1st Pfd.	46⅝	41¼	46	34	61	32⅞	55	36½	‡42	2
Do. 2nd Pfd.	58⅜	42	52	33⅜	65½	33¼	57⅞	38½	42	2
St. Louis-San Francisco	*74	*13	50½	21	33⅞	10⅜	25¾	19½	24	..
St. Louis Southwestern	40⅝	18½	32¼	11	40	10⅞	30½	19½	24⅜	..
Do. Pfd.	82⅝	47½	65¼	28	49⅜	20⅝	41	28	33	..
Southern Pacific	139⅛	83	110	75⅜	118½	88	101	67½	78⅝	6
Southern Ry.	34	18	36⅜	13½	33¼	18	24⅞	17⅝	20⅜	..
Do. Pfd.	86⅝	48	85¼	48	72½	50	60	42	46¼	..
Texas Pacific	40½	10¼	29¼	6⅛	70½	14	27½	16½	23½	..
Union Pacific	219	137⅝	164⅜	101¼	138½	110	128	111	121¼	10
Do. Pfd.	118½	79⅝	86	69	74⅜	61⅛	68	62¼	65¼	4
Wabash	*27⅞	*2	17½	7	13⅜	7	9	7	7½	..
Do. Pfd A	*61⅝	*6½	60½	30⅞	38	17	24½	18	20½	..
Do. Pfd. B	..	..	32⅞	18	25½	12⅛	15½	12⅝	‡13	..
Western Maryland	*56	*40	23	9¼	15⅝	8⅝	11½	8⅝	‡9¼	..
Western Pacific	..	..	25½	11	40	17	30⅞	20¼	23	..
Do. Pfd.	..	..	64	35	78	52½	70½	58	‡60	6
Wheeling & Lake Erie	*12⅞	*2½	27⅝	8	18⅛	7⅝	11⅛	7⅛	‡8⅝	..
INDUSTRIALS:										
Allied Chem.	..	..	..	..	62⅝	48½	55½	34	44⅝	4
Do. Pfd.	..	..	..	..	92½	84½	93⅞	83	87⅞	7
Allis Chalmers	10	7⅝	49½	6	53⅝	26½	39¼	28¼	34	4
Do. Pfd.	43	40	92	32½	97	67¼	83	67½	‡76	7
Am. Agr. Chem.	63⅝	33½	106	47⅝	113⅜	51	65½	26½	34⅜	..
Do. Pfd.	105	90	103½	89½	103	79	84	51	61⅜	..
Am. Beet Sugar	77	19⅝	108½	19	103⅜	32⅜	51	25⅜	‡28	..
Am. Bosch Mag.	..	..	..	..	143⅞	45½	65½	29½	‡33½	..
Am. Can.	47⅞	6⅞	68½	19¼	68⅜	21⅜	32⅜	23½	27½	..
Do. Pfd.	129½	62	115⅝	80	107⅝	72⅜	88	76⅜	80	7
Am. Car & Fdy	76½	36½	98	40	148⅜	84½	133	115¼	126½	12
Do. Pfd.	124⅜	107½	119¼	100	119	105⅜	114	108	‡126⅜	7
Am. Cotton Oil	79⅝	33⅝	64	21	67½	15½	23½	15⅞	19½	..
Do. Pfd.	107½	91	102¼	78	93	59½	67	35½	‡42½	..
Am. Drug. Syn.	..	..	..	..	15½	6⅝	8⅜	4½	‡4½	..
Am. Hide & L.	10	3	33½	2½	42½	5	13⅜	8	10⅝	..
Do. Pfd.	51⅞	15½	94⅝	10	142⅜	35	57⅞	40½	49⅝	..
Am. Ice	..	..	49	8⅞	76½	37	59¼	42	‡56	5
Am. International	..	..	62⅝	12	132¼	30½	53⅜	21¼	32½	..
Am. Linseed	20	6⅞	47⅜	20	95	42	62¼	17	22⅜	..
Am. Loco.	74⅜	19	98¼	46⅝	117½	56	93¼	73½	90	6
Do. Pfd.	122	75	109	93	109⅜	96½	107¼	97¼	104½	7
Am. Safety Razor	..	..	..	..	23	6½	10	3½	3⅞	..
Am. Ship & Com.	..	..	..	..	47½	7⅝	14	4½	6½	..
Am. Smelt. & Ref.	105½	56⅝	123⅜	50¼	89⅜	29¼	44⅜	29⅝	36	..
Do. Pfd.	116⅜	98¼	118½	97	109⅜	64½	83	63¼	70½	7
Am. Steel Fdys.	74½	24½	98	44	50	26	31¾	18	25	3
Do. Pfd.	..	..	..	..	96½	79½	91	78	‡82	7
Am. Sugar	136⅝	99⅞	126⅜	89⅛	148⅜	62½	96	58⅜	62½	..
Do. Pfd.	133½	110	122¼	106	119	97⅞	107¼	85½	89½	7
Am. Sumatra Tob.	..	..	145⅜	15	120⅛	65	88	37½	42⅜	8
Do. Pfd.	..	..	108	75	105	79	91	70¼	‡70	7
Am. Tel. & Tel.	153⅝	101	134½	90⅝	108⅜	92¼	108½	95¾	107½	9
Am. Tobacco	*530	200	256	123	314½	104½	129⅞	111½	128⅜	12
Do. B	..	..	..	..	310	100½	127⅞	110	123½	12
Am. Woolen	40⅝	15	60⅝	12	169½	55½	82¼	57	74⅜	7
Do. Pfd.	107⅞	74	102	72½	110⅜	88½	98	93	‡95	7
Anaconda	54⅝	27½	105⅜	24¼	77⅞	30	43½	31⅜	37	..
At. Gulf & W. I.	18	5	147⅞	4½	192⅜	71½	76	18	27½	..
Do. Pfd.	32	10	73⅜	9⅞	76½	42	44½	15⅝	22	..
Baldwin Loco.	60⅝	36½	154½	26⅝	156½	64⅞	94¼	62¼	88¼	7
Do. Pfd.	107½	100¼	114	90	111⅞	92	102¼	95	‡95	7
Bethle. Steel B.	*51⅝	*18⅜	168½	59⅝	112	48⅞	65	41½	54⅝	5
Do. 7% Pfd.	80	47	186	68	108	90	93¼	87	‡90⅛	7
Do. 8% Pfd.	..	..	110½	92½	116	90¼	107½	93⅜	100	8
Calif. Packing	..	..	80	30	87⅛	48½	64⅞	53⅜	64½	6
Calif. Petro.	72½	16	42⅝	8	56⅞	15⅝	49⅝	25	‡36	..

Active Stocks' Price Range

	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-20 High	Low	1921 High	Low	Last Sale Sept. 22	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro. Pfd.	95½	45	81	29¾	56⅝	63	79	68½	‡72	7
Central Leather	51⅝	16½	123	35⅝	116⅝	30½	43¼	22½	27¾	..
Do. Pfd.	111	80	117½	94¾	114	80½	96	57½	‡64½	..
Cerro de Pasco	..	..	55	25	67½	24½	32½	23	25⅝	..
Chandler Mot.	..	..	109¾	46	141½	59⅝	86	39⅝	43	6
Chile Copper	..	..	39¼	11⅛	29⅛	7⅛	12⅝	9	10⅜	..
Chino Copper	50⅝	6	74	31⅝	50⅝	16⅝	27½	19⅛	23¼	..
Coca Cola	..	..	..	..	48⅝	18	36	19	25	..
Colum. Gas & E.	..	..	54½	14¾	69	39¼	63	52	56⅝	6
Columbia Graph.	..	..	*166	*97	75½	9	13⅝	2⅝	4½	..
Consol. Cigar	..	..	..	..	80	51½	61	21⅛	‡28	..
Consol. Gas	165¼	114½	150½	112⅜	106⅝	71⅝	91⅜	77½	88	7
Corn Prod.	26½	7⅝	50⅝	7	105¼	46	76½	59	75⅝	6
Do. Pfd.	93½	61	113½	88¾	109⅝	97	104½	96	‡104	7
Crucible Steel	19⅝	6½	109⅝	13¼	278½	52¼	107½	49	63	4
Cuba Cane Sugar	..	..	70⅝	24⅝	59⅝	16¼	26	6⅞	8⅛	..
Cuban Am. Sugar	*58	*29	*273	*88	*605	21½	33½	12	13	..
Fisk Rubber	..	..	..	..	55	10	19⅝	8⅝	10⅝	..
Freeport Tex.	..	..	70½	25⅝	64⅝	12¼	20½	9½	13½	..
Gen'l Asphalt	42⅞	15½	39⅝	14¼	160	32½	78⅝	39½	50	..
Gen'l Electric	188½	129⅝	187¼	118	176	116½	138⅜	109½	123⅝	8
Gen'l Motors	*51⅝	*25	*850	*74½	42	12⅜	16¼	9⅝	10¼	1
Do. 6% Pfd.	..	..	99½	72⅝	95	64½	72	63	‡64	6
Do. 6% Deb.	..	..	..	..	84⅝	58⅝	70⅝	60	‡64⅝	6
Do. 7% Deb.	..	..	..	..	94	69	82	69	‡73	7
Goodrich	86½	15½	80¼	19⅝	93⅝	27	44½	26⅝	31½	..
Do. Pfd.	109⅝	73⅝	116⅝	79⅞	109½	70	85	62½	‡74	7
Gt. Nor. Ore	88½	25½	50⅝	23½	52⅝	24⅞	32½	25⅝	‡28	4
Haskell-Barker	..	..	54½	27½	78½	40	61⅜	50½	58	4
Houston Oil	25½	8½	86	10	116½	55¼	86	40½	52	..
Hupp Motors	..	..	11⅝	2½	23¼	4⅝	16⅝	10½	11¼	1
Inspiration	21⅝	13⅝	74⅝	14½	68⅝	33	37⅝	29⅝	33⅝	..
Inter. Mer. Mar.	9	2½	50⅝	⅝	67⅝	10¼	17¼	7⅛	‡9	..
Do. Pfd.	27⅝	12½	125⅝	3	128½	44	63⅜	36	44¾	6
Inter. Nickel	*227¼	*135	57½	24½	33⅝	11½	17	11⅛	13½	..
Inter. Paper	19⅝	6½	75½	9½	91⅝	30¼	78⅜	38⅝	48½	..
Invincible Oil	..	..	..	..	47½	19	26	5½	8¼	..
Island Oil	..	..	..	..	7⅛	4	4⅜	2½	2⅝	..
Kelly Springfield	..	..	85¼	36⅝	164	35½	54⅞	32½	42	..
Do. Pfd.	..	..	101	72	110⅝	76	94	70½	‡81	8
Kennecott	..	..	64½	25	43	14⅝	22⅝	16	20	..
Keystone Tire	..	..	46½	11	126⅝	13½	17⅞	8¼	11½	..
Lackawanna Steel	55½	23	107	26½	107⅞	45	58½	32	41	..
Loews, Inc.	..	..	..	..	38⅝	14½	21½	10	13⅝	..
Loft, Inc.	..	..	..	..	28	9⅝	12⅝	7⅝	9¼	1
Mexican Pet.	90½	41⅝	129⅝	46½	264	148	167¼	84½	103	12
Miami Copper	30¼	13⅝	49⅝	16½	32⅝	14½	24	15⅝	‡20⅝	2
Midvale Steel	..	..	96½	30½	62¼	23⅝	33½	22	25½	..
Nat'l Lead	94	42½	74⅝	44	94½	63½	81	67⅜	‡74	6
Nevada Copper	30	13	34½	10¼	21⅞	8	13½	9	11	..
N. Y. Air Brake	98	45	186	55⅝	145⅝	66	89	47½	‡57⅝	5
N. Y. Dock	40¼	8	27	9¼	70⅝	16¼	39	20⅝	‡28	2½
North American	*67⅞	*60	*81	*38½	*67	*67	40½	32¼	39	3
Do. Pfd.	..	..	..	..	..	..	34⅜	31⅞	34⅜	3
Pacific Oil	..	..	..	..	41⅞	35	41½	27½	35⅝	1½
Pan Amer. Pet.	..	..	70⅝	35	140¼	67	79⅜	38½	48	6
Do. B	..	..	..	..	111⅝	64½	71⅞	34½	44½	6
Philadelphia Co.	59¼	37	48⅝	21½	43	30	35½	26½	29	3
Phillips Pet.	..	..	..	..	44½	28⅝	31½	16	21½	..
Pierce Arrow	..	..	65	35	99	15	42¼	9½	12⅝	..
Do. Pfd	..	..	109	88	111	59	88	21½	26⅜	..
Pittsburgh Coal	*20⅝	*10	58⅝	37½	74⅝	45	64⅞	52	58½	5
Pressed Steel Car	56	18½	88¼	17¼	113⅝	59	96	48	58⅝	..
Do. Pfd.	112	88½	109¼	69	106	90¼	104	83	85⅝	7
Punta Aleg. Sug.	..	..	51	29	120	40	51½	25	27½	..
Pure Oil	..	..	148½	31⅞	61⅞	29⅞	36⅝	21½	24½	2
Ry. Steel Spg.	54½	22¼	78½	19	107½	68½	90½	67	83½	8
Do. Pfd.	111⅝	90¼	105½	78	112	92½	109	98	‡102	7
Ray Cons. Cop.	27½	7⅛	37	15	27⅝	10	15	11	12⅝	..
Replogle Steel	..	..	..	..	95½	30	29½	18	24½	..
Republic I. & S.	40½	15⅝	96	18	145	55¼	73¼	41½	51⅞	..
Do. Pfd.	111⅛	64⅝	112⅝	73	106⅝	84	96½	79⅞	‡80½	7
Republic Motors	..	..	77	31	74½	10¼	24½	8	9½	..
Royal Dutch N. Y.	..	..	86	86	122⅝	49½	69⅞	45¼	47½	5.20
Shell T. & T.	..	..	..	..	90¼	33⅝	49	32	‡34½	.74
Sinclair Con. Oil	..	..	67½	25¼	64½	20	28⅝	16½	19⅞	..
Sloss Shef. Steel	94⅝	23	93¼	19½	89	42	56	32½	‡37⅝	..
Stand. Oil N. J.	*446	*322	*800	*355	212	142½	167½	124½	‡134	5
Do. Pfd.	..	..	..	..	113⅝	100½	110	105½	107	7
Stromberg Carb.	..	..	45¼	21	118¼	22½	46	25¼	30½	..
Studebaker	49½	15⅝	196	30	151	37⅝	93¼	42⅝	74⅝	7
Do. Pfd.	98½	64½	119½	70	104½	76	97	83	‡97	7
Superior Steel	..	..	96	30¼	60	32	46	26	28⅝	3
Tenn. Cop. & Chem.	..	..	21	11	17¼	6½	10⅝	6⅝	‡7⅝	..
Texas Co.	144	76½	242	112	57⅝	40	45	29	35⅝	3
Tex. Pac. Coal & O.	..	..	..	..	196	22	36⅝	15⅝	19⅝	1
Tobacco Prod.	145	100	82⅝	35	115	46	72	45	66	6
Transc'al O.	..	..	..	..	62⅝	5⅝	13	6	7⅝	..
United Fruit	208½	126½	178	105	224½	187	207	95⅜	107¼	8
Un. Retail Stores	..	..	..	..	119¼	45¼	62¼	46⅞	52⅝	6
U. S. Food Prod.	41⅝	9⅝	64⅝	5½	91⅝	15	27¼	10	11	..
U. S. Ind. Alco.	57¼	24	171½	15	167	56½	74½	42⅞	46½	4
U. S. Rubber	69½	27	80½	44	143⅝	55	79⅝	40½	48⅞	..
Do. Pfd.	123½	98	115¼	91	119⅝	95¼	103⅞	74	87½	8
U. S. Smelt. & R.	59	30⅝	81½	20	78¼	29½	35½	26	30	..
U. S. Steel	94⅝	41¼	136⅝	38	115½	76¼	86½	70¼	78⅞	5
Do. Pfd.	131	102½	123	102	117½	104½	112	105	109⅝	7
Utah Copper	67½	38	130	48½	97½	44½	59½	41½	40½	2
Vanadium	..	..	..	..	97	28½	41	25½	31⅜	..
Va.-Caro. Ch.	70⅝	22	60½	15	92½	24⅝	42½	20⅝	29½	..
Do. Pfd.	129¼	93	114½	80	115⅞	88⅝	102⅜	57⅝	75⅞	..
Western Union	86¼	56	105¼	83⅝	92½	80½	94	76	82¼	7
Westinghouse Mfg.	45	24⅝	74⅝	32	59⅝	40	49⅞	38⅝	‡44	4
White Motors	..	..	60	30	86	30½	44	29½	33	4
Willys Overl'd	*75	*60	*325	15	40½	5¼	10½	5¼	6	..
Wilson & Co.	..	..	84½	42	104⅞	34⅞	47	31	‡34	..
Woolworth	117⅝	76½	151	81½	136⅝	100	117½	105	‡111	8

*Old stock. ‡Bid price given where no sales made.

Business on the Upward Grade

By H. Parker Willis

(*Continued from page 750*)

haps rather morbidly, upon the manufacturing outlook and the prospect of recovery in production. The time has now apparently arrived when the consumption of supplies of goods of many kinds has gone so far as to ensure a very substantial growth of manufacturing, and as a reflection of this state of things, accompanied by more active buying, the price trend, which was noted a month ago as having been checked in its downward movement, has now once more turned definitely upward. This price trend as reflected in Bradstreet's index in the accompanying graph, shows a September 1 level of $11.08, and the movement since the date for which these index figures are computed has been even more pronounced. There is, therefore, a very decided upward movement in commercial prices. This has been paralleled and confirmed by the various cost of living indexes which show an increase in the price of food, while the Government's general wholesale price indexes practically in all cases reflect an upward movement, although less pronounced than in the case of some private index figures. Similar tendencies are to be noted in foreign countries. These may from time to time be reversed because of the fact that curtailment of banking inflation abroad has not yet gone far and in the future may serve to offset the upward tendency of prices due to increasing demand, but it is nevertheless true that the adjusted indexes for foreign countries are showing influences of the same sort that are now noted in the United States. How long the era of upward price movement will last no one should try to predict, but it is a factor of present business and has an important influence in stabilizing and rendering much more secure the position of the business man who seeks to protect himself in regard to his early trade dealings.

Iron and Steel Outlook

It continues to be true as on former occasions when the same conditions were observed and analyzed, that the current figures for iron and steel production are not a reliable index of general business conditions. As will be seen from the graphs representing the movement of unfilled orders on the books of the United States Steel Corporation and the production of pig iron for the country as a whole, the tendency appears to be downward. The August figure for United States Steel unfilled orders shows 4,500,000 tons and there would seem to have been a decided dropping off since that level was reached. The same is true for pig iron whose August output was 950,000 tons, and which on the monthly basis has likewise suffered reduction. Of recent weeks, however, improving demand has been noted in the steel and iron industry, partly originating with the railways, and this improved demand has tended to work a quite decided increase in current operations and in the output of certain classes of iron and steel products. The iron and steel indexes therefore are apparently in a stage of transition from their relatively uninforming and anomalous status to a new position in which they will again reflect the business situation of the country with a greater degree of accuracy. Better reflection of true business conditions is perhaps obtained from a glance at railroad earnings. Curtailed expenditures and better traffic render possible improvement which has carried the net returns of some roads up to a satisfactory level enabling them to make a showing of earnings almost up to the figure set in the Transportation Act as normal or permanent. The roads have already begun increasing their operating staffs and will no doubt be able to hold out better employment thereby helping to relieve the unemployment situation which has undoubtedly been serious in some parts of the country. Better industrial demand in many manufacturing districts particularly those turning out shoes, leather, textiles of various kinds, and other manufactures is, however, already evident.

Foreign Trade Still Large

A careful scrutiny of the foreign trade situation confirms the belief that our trade continues very much larger than has been supposed and very much more representative when stated in units of physical volume than when stated in dollars. Stated in the latter way, however, there was an excess of exports during August of 181 million dollars, a figure which reflects a very decided improvement over the last preceding returns. Still more recent developments in the export line show continued improvement (if such it can be called) in our export balance. Indeed as recent commentators have noted our trade balance taking one year with another is running about as high now as it was in the "boom" period. We have exported less in dollar value but we have also imported less in dollar value, while our shipments in physical amount have continued to be very large. In fact many think that we are selling too much to Europe for our own good and are buying too little, and that relief to European conditions is derived not by financing exports to Europe but by buying European manufactures. Such action would eventually turn the tide of excess gold imports and would leave our trade relations with Europe in a far more wholesome condition. Nevertheless it is true that an increasing export balance in our favor does in a certain sense indicate renewal of export activity and hence of temporarily better conditions in those industries which depend upon foreign trade as a means of carrying off their surplus.

The difficulties connected with foreign exchange during the month do not, however, suggest any material improvement in the ability to finance our foreign sales or to carry the heavy balance in our favor which is already existent and is being still further exaggerated by current trade balances.

Bank Transactions Fluctuate

It is interesting to note how bank transactions have moved under the influence of the conflicting tendencies of recent months. In the accompanying graph are shown debits to individual accounts at the Clearing House banks of the country brought well up to date. It will be observed that during the month thus far there have been upward and downward movements, and that from June onward, taking the figures by months, there has been a steady downward tendency. This should imply that there has been a lessened activity of business as reflected in the smaller amount of transfers at banks. From the August average standing at about 30 billion dollars or say 10% from June it might be inferred that the activity of business was 10% off. This, however, would be true only on the assumption of a fairly stable price level. Remembering that prices are much lower than a few months ago, that the upturn of prices has not yet had time to go far, that the liquidation of "frozen" credit has greatly reduced the total volume of credit on the books of the banks, that Federal Reserve portfolios are themselves less than 50% of what they were a year ago, and that the revival of business in actual units of volume has not gone far to greatly influence the volume of credit;—remembering all these factors—it will be seen that the credit index presented by these debits needs adjustment if it is to be regarded as a reliable test of the level of business. In making this adjustment the surprising thing is not that the total has fallen 10% but that it has not fallen very much more. The figures therefore indicate a distinctly high and (as indicated by returns for recent weeks) a growing activity in business. This index therefore may be taken as hopeful and encouraging rather than the reverse.

Conclusion

While the business position is, as already stated, far from satisfactory even as yet, and as already intimated never can be satisfactory until there is a decided improvement in European conditions; while the existence of a very large body of unemployed still points to the fact that we have not yet readjusted ourselves to peace time conditions; it is nevertheless true that recovery and steady movement towards normal is progressing. Many dangers in sight are those of renewed inflation due to excessive gold reserves and importation of gold, shock to European trade due to inability to continue sending gold and refusal on our part to import as heavily as we should do, and failure to bring about complete readjustment of manufacturing in such a way as to absorb those now unemployed. Of these problems the European phases are the most difficult. Of course they involve countries whose internal problems are difficult and more or less unknown to us. So far as the United States itself is concerned, the technical position and prospects give every reason for a hopeful outlook.

TRADE TENDENCIES

(Continued from page 784)

the statistical position of crude oil is hardening.

Prices are still on the bottom and it is possible with a continuation of the curtailment in production, conditions may get to a point resulting in a higher price level. However, the consumption of crude oil is not as yet proceeding rapidly enough to change the general situation in the early future so that a general advance in prices within the next few months is rather unlikely.

On the earnings side, the oil companies do not present such a pleasing picture. Not only has the demand fallen off but prices are considerably lower. It will be interesting to see how this affects the earnings sheets of these companies as they are issued. Undoubtedly, there is no reason to believe that the final results will be anything but disappointing for many companies although, under the circumstances, this is not surprising.

SILK

Improvement Shown

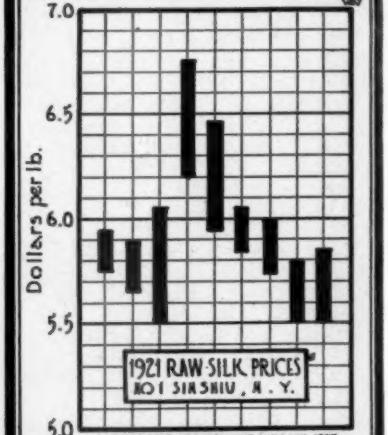
Conditions in the silk industry are still spotty but a sufficient number of branches have shown improvement so that the general trend may be said to be slowly upward. Reports from Paterson and other silk-manufacturing centers indicate that the rate of manufacturing activity is gradually increasing. While a considerable portion of the mills in Paterson are still operating on a reduced schedule basis, the rate of operations has increased and unemployment is less marked.

The hosiery mills have doubled their output since the beginning of the year. A considerable number of them are operating at better than a 50% ratio, which indicates a very satisfactory condition, considering the situation which existed a few months ago.

Silk shirt manufacturing has not done quite so well and recovery has been very slow. Nevertheless the rate of output is slightly larger than several months ago and in recent weeks shows a definite trend toward higher figures. Several of the larger mills in this field are reported to be operating at nearly full capacity.

The demand for silk underwear has increased and manufacturers in this line report steadily increasing business. Silk underwear has become very popular and its use is extending into many sections of the country which formerly looked upon this article as a luxury.

Figures relative to silk consumption indicate that in August more raw silk was consumed than in any other month in history. August consumption amounted to 32,790 bales, against 32,335 bales in August and 22,176 bales in January. August, 1920, saw only 17,241 bales consumed.



These figures are significant inasmuch as they indicate that the mills throughout the country are speeding up production and that with the more powerful buying movement now in evidence the rate of September and probably October raw silk consumption should also show an increase.

The raw silk situation, however, is such that an advance in prices is entirely unlikely, owing to the very large amount of stocks on hand both in this country and in the producing countries. It is known that although less raw silk may be produced in Japan in the near future, the surplus held there in warehouses is large enough to take care of any probable demand from this country. Under these conditions, therefore, an advance in prices

MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, Sept. 12	71.13	70.68	73.28	66.11	64.70	731,270
Tuesday, Sept. 13	71.45	71.72	74.30	66.19	64.68	646,500
Wednesday, Sept. 14	71.57	71.68	73.92	66.94	65.72	861,998
Thursday, Sept. 15	71.40	70.68	73.28	66.09	64.95	568,315
Friday, Sept. 16	71.53	70.95	73.39	65.85	64.89	519,225
Saturday, Sept. 17	71.51	70.83	73.26	65.56	65.10	230,694
Monday, Sept. 19	71.49	70.06	72.38	65.60	64.23	594,200
Tuesday, Sept. 20	71.36	69.43	72.54	64.52	63.69	497,005
Wednesday, Sept. 21	71.33	69.45	72.67	64.71	63.44	572,701
Thursday, Sept. 22	71.51	70.25	73.75	65.08	63.90	563,650
Friday, Sept. 23	71.71	70.90	74.69	65.86	64.86	595,942
Saturday, Sept. 24	71.81	70.81	74.66	65.80	65.21	222,200

is unlikely, and in fact with the Japanese Syndicate, which has maintained the higher level for prices, releasing part of its large holdings later on a recession in prices may be expected.

Generally, speaking, however, it is apparent that conditions in the silk industry are slowly stabilizing themselves. The demand for silk products shows an increase which may be taken as a reflection in the moderate improvement in the business situation in various parts of the country. Probably by the end of Winter the industry should be on a rock-bottom basis.

AMUSEMENTS

Fair Conditions in Prospect

The two leading amusement industries —theatres and moving pictures—have gone through a slack seasonal period last Summer. Conditions, however, point to a normal increase in business with the Fall and Winter months.

Underlying the whole situation, however, is the fact that the high admission rates still demanded throughout the country will probably have the effect of reducing the amount of patronage, particularly where the unemployment situation is most acute.

Comparing admission prices today with those prevailing before the war, it will be seen that there has been an enormous advance. Under present conditions, with salaries and wages cut, it is not possible for the average citizen to indulge himself and his family to the extent to which they were accustomed in more prosperous days, and the consequence is that the business should suffer.

However, the "movies" are a national pastime, have a very great hold on the people, and it may be presumed that while lower than last year, the average attendance will not fall very far, especially if the owners of places of entertainment modify their present prices to a moderate extent.

BONDS IN NEW HIGH TERRITORY

(*Continued from page 764*)

noted that the purchase of any one of the bonds recommended would not have resulted in the loss of a penny. This is an extremely satisfactory showing, when it is considered that eighteen speculative issues were included in the recommendations. There has been an appreciation of approximately 246 points over the entire list or an average increase of 2¾ points per issue. Of the government bonds the largest advance was recorded by the City of Copenhagen bonds. In the railroad groups the largest rise took place in the Illinois Central Col. Trust 4s, which were listed as first choice in the Middle Grade railroad group. The largest advance of any bond on the list took place in the public utility group, the Brooklyn Union Gas 5s rising 8 points. The Indiana Steel 5s were the leaders of the industrial bonds.

ANSWERS TO INQUIRIES

(Continued from page 768)

In spite of its lack of sound rating, the bond is regarded as an attractive speculative investment for a business man.

CONTINENTAL CAN

The Present Situation

Am holding some Continental Can, cost 58¼, and Worthington Pump, cost 49½. Would you advise to continue to hold or to switch into something else? Thanking you for your opinion and advice, I am—

Continental Can—Officials apparently struggled for a long time to maintain the 7% dividend which was declared regularly as late as June 9th, but apparently business did not improve in the following three months so that on Sept. 10th the company was compelled to pass the quarterly dividend of $1.75 a share on the common stock, but declared the regular quarterly dividend of the same amount on the preferred stock. The company has suffered from the effect of trade dullness and it is well known that many packers have been selling their canned goods at 50% below cost because of the tight money market and credit stringency. Earnings of this company are largely dependent on seasonal business and last year a large volume was left on hand considerably reducing the prospective demand for new goods this summer. The company has a production of around 1½ billion cans yearly, and like the American Can Company this company does seasonal borrowing each year to carry its very large tin plate requirements. Possibly the omission of the common dividend is part of the program to conserve its surplus. The company earned over $9 a share in 1920 and a little over $17 the preceding year. Except for the temporary spell of quiet business the company is strong and we believe it would prove profitable to average your holdings by purchasing at this time.

THREE INVESTMENT ISSUES

Should He Become a Speculator?

I have noted your article in issue of Sept. 3rd regarding Chicago & Northwestern R. R. Some months ago I bought 10 shares of this (Preferred) at 101 along with 10 Standard Oil Pfd. and 10 American Tel. & Tel. as an investment for my father's account. It was recommended to me as being a good buy account of its past record, etc. Would you advise holding same or sell out and purchase something else?

I have a friend who has been after me to invest in Raritan Refining Corp. 7% and participating 10 yr. bonds due 1929 claiming that they are 1st class and have paid 13% altogether this past year. I cannot find that they are listed and would request your opinion on same and also what they are quoted at now. Also regarding what he terms the parent company known as Eastern Potash Corp. I have one of their circulars which "sounds good" but I cannot find out anything about them and do not want to sink money in a "wildcat."

We certainly would not advise your exchanging a present certainty in sound companies like Standard Oil pfd. (gilt edge) and American Telephone & Telegraph for an alluring uncertainty such as you mention. You are fortunate in holding sound investments in the two companies named. The article you refer to regarding Chicago and Northwestern tells the story with lucidity and impartiality and gives you an opportunity to decide for yourself. If, however, you do not wish to hold your railroad stock until the earnings come back, which they undoubtedly will upon the return of business activity in the northwestern section of the country, you might switch into Col. Southern 1st Pfd., Western Pacific Pfd., or Illinois Central common.

We may say we think very well, indeed, of Northwestern Pfd. and its common is also improving.

Raritan 7s have no firm market but last changed hands around 60.

Stick to your own stocks and do not change your plan from real investment to uncertain speculation.

INTERNATIONAL SALT BONDS

A Very Sound Co.

I hold some International Salt Co. Bonds. Do you consider them absolutely safe?

For the year ending December 31, 1920, International Salt Company earned over $1,000,000 whereas bond interest only consumed $202,000. The surplus was equivalent to $14.06 on the capital stock totaling well over $6,000,000. The company is very modestly capitalized and has always earned its interest by a very large margin. In the previous year the company earned $765,000 while interest consumed only $150,000. We consider these bonds a sound investment.

Bonds of this type are usually in the hands of investors and often are held in blocks by people close to the company. Hence while the fluctuations are not voluminous they are apt to be "wide" at times, but this very often has nothing in common with their investment worth. In your place we would not sell.

STATISTICAL REPORT ON A MINE

In looking over your issue of September 3rd we notice a cut on page 633 of the Tintic Standard mine. We presume this is the Tintic Standard of Utah, but cannot find any write up or any reference whatever to this cut. We are somewhat heavily interested in the stock of this Company and would have you give us any information you may have.

The picture you refer to was merely used by the writer of the article as a good general illustration. We find that this company was incorporated in 1907 in Utah, capital $1,300,000; $1 par; assessable; issued 1,175,000. It has levied 19 assessments of ½c each up to 1916. The stock is listed on the Salt Lake Exchange. The initial dividend of 20c was paid June 23, 1917, and 40c during that year. Four quarterlies of 8c each, plus extra of 15c paid in 1919. Eleven in all to date, equal to $1,140,000. Net profits in 1918 were $638,944. The ore shows 1 to 105 oz. silver, and $1 to $15 gold per ton. The equipment includes 100 H.P. steam plant,

with an 80 H.P. double cylinder hoist, good for 1,500 feet depth. The production in 1919 was about 50,000 tons of ore. Total from 1915 to 1918 inclusive, 58,495 dry tons that yielded 1,900,000 ounces of silver, 7,900,000 pounds of lead, 750,000 pounds of copper and 1,582 ounces of gold. The main office is 422 Judge Bldg., Salt Lake City, Utah. The mine office is at Eureka, Juab County, Utah. The stock is not quoted at present.

COLUMBIA GRAPHOPHONE 8s

Bonds Discount Worst

Unless it was a misprint, I notice Columbia Graphophone Co. 8% Bonds of 1925 have sold on the curb as low as $350.00 per $1000.00 Bond. Please send me your opinion of these bonds as a speculation. Does it mean a re-organization of the company?

You are correct. These notes broke to 35, but recovered to 50 in a single day last week. You will find full details of the present financial situation of Columbia Graphophone on page 694 of our Magazine of September 17, 1921, from which facts, we are safe in assuming, and believe that the bonds sold recently upon a receivership basis and since had a very substantial advance. We consider them a good speculative investment because a receivership is not in sight and we believe that there is ample security back of the bonds and a potential earning power sufficient to pay the interest. Present price about 50 ($500 per $1,000 note.)

We are much obliged to you for the circular regarding Amalgamated Leather preferred which we will refer to the editor of the *Weakly Margin Call*. We feel sure that he will be very much interested in checking up on the statistics covering the supply of goats. We should say, judging by the recent rise in the market, that this rally must have gathered a much greater crop than is usually available in Wall Street in the summer months, among the bears whose zoological makeup only permits them to see—indigo.

OIL REORGANIZATIONS

A Banker's Problem

A customer of this bank is the holder of $2,000 of the Gold Notes of the El Dorado Refining Co., El Dorado, Kan. The interest for July was defaulted and in seeking information as to the affairs of the company received the inclosed statement. He has signed the approval of the plan with the understanding that upon investigation if it is not for his best interest he will not execute the proper authority later. What do you know about this company? Would you advise following the plan suggested? Do you know anything about the officials? Any information or advice you can give regarding this matter would be appreciated.

We have gone over the proposal of the president of the El Dorado Refining Company and also such other papers as we have of record on the subject. We believe that the material facts are fully and frankly stated in the circular which we are returning to you herewith.

We agree with the president's statement that the troubles of the company were largely unforeseen due to the fall in oil prices and depreciation in value of tank cars upon which the company apparently owed a lot of money. The same situation had prevailed in the shipping business and while the outlook for the El Dorado Refining Company is not very cheerful, the company seems to have an excellent chance

of eventually recovering from the situation in which it now finds itself.

Apparently the approval of all the note holders will be necessary and there is no guarantee that if you agree to allowing your securities to have a mortgage preceding the equity for your customer, that every other note holder will do likewise. The situation is about as follows: If the note holders do not agree, undoubtedly the officers of the company would throw the company into voluntary receivership in order to conserve the assets, but this would be a very heavy expense and might even force the company into a forced sale of its tank cars and other assets. These would not fetch their value at the present time. It seems much more sensible to adopt the plan outlined by Mr. Yankey and we would have no hesitation in advising a customer or client to step in line with the majority of note holders. We are very sorry that we cannot add anything to the information you have, but if there is any other point on which you seek enlightenment, please let us know.

NEW TYPE BUILDING ASSOCIATION

Pioneering in New Companies Hazardous

Some days ago I wrote you and asked your opinion of the Lincoln Housing Trust of St. Louis, Mo., and I received a leaflet from you. As requested on the back of this leaflet I am handing you a pamphlet put out by the Lincoln Housing Trust. Any information you can give me after investigating will be appreciated. I should like the return of the pamphlet I am sending you.

We return herewith circular of the Lincoln Housing Trust which you kindly forwarded for criticism. The idea is new in a way and apparently the plan has some advantages over that of the existing type of Building & Loan Association, but it is a new idea and anybody who invests his money in a new business or a new plan like this, takes a decided chance of the proposition making good. We would say for ourselves, we would prefer to deal with the older established Building & Loan Associations even though the advantages do not seem to be so great on the surface. This is a savings proposition rather than an investment proposition, and while our principal objection would be on the ground that the company is not very seasoned, we find ourselves unable to become enthusiastic upon the facts as shown in the circular.

OKMULGEE BUILDING & LOAN ASSN.

Well Rated

Kindly advise me if you consider the Okmulgee Building and Loan Association of Okmulgee, Okla., paying 10% (as advertised in The Magazine of Wall Street*), a sound investment. Also give me any figures as to their earnings, etc., that you have available.*

As the Okmulgee Building & Loan Association is one of our advertisers, you may safely assume that the company is sound. We only accept advertisers with whom we would care to entrust our personal funds—that is our policy and the governing thought behind our approval. We would advise your writing to the secretary or treasurer of the association for its report on its earnings. The main offices are at Okmulgee, Oklahoma. They will undoubtedly be very glad to give you all desired information.

Unfortunately we have nothing on file at this writing and will remedy this omission very shortly. We will have all details within 10 days.

A STUDENT OF INVESTMENT

Suggestions for Study

Since I have speculated with some success in the New York stock markets, I have a desire to know all I can about price movements and what influences them. Will you suggest books and periodicals which will help me to understand these things? Do the Federal Reserve Banks send their monthly reports to anybody upon application? Where can I get the best description of the Federal Reserve banking system? May I suggest that your cover for the second August number was much smarter than the regular one, and say further that some of the symbolic drawings which appear in the pages of the Magazine detract from its good appearance? I especially dislike the one which heads The Outlook.—I have an account with XXX & Co. Do you consider it a reliable firm?

We would recommend your securing the financial (Saturday) edition of the *New York Evening Post* and the *Annalist*, issued weekly by the *New York Times*. Either of these will give you a comprehensive resumé of the New York stock market and its operations for the week. The *New York Times*, *Tribune* and *American* (daily) are replete with information. Undoubtedly you will be able to procure all bulletins and pamphlets issued by the Federal Reserve Board on the question of the Federal Reserve, if you write direct to headquarters at Washington, D. C. A recent volume issued by N. Parker Willis on the Federal Reserve System is a comprehensive work on this subject and will give you much information. Thank you for your commendation of our second August number cover, and we may add that we are also glad to obtain criticisms from our subscribers and have referred your letter to our managing editor. The information regarding brokers you will find as per inclosed report.

You will find our books advertised periodically in our magazine—all on the subjects that interest you. We would tackle "Studies in Tape Reading," "The Psychology of the Stock Market," "Tidal Swings" and "How to Read the Financial Page" for a start (Book Dept. Magazine of Wall Street).

"YIELD TO MATURITY"

A Method of Approximate Calculation

Please explain a method of calculating yields to maturity without the use of tables.—E. Z. Richmond Hill, N. Y.

In order to find the actual yield, you must not only add the entire flat yield year by year, but must take into consideration the difference between the purchase price and par and divide the number of points depreciation by the number of years to maturity. In the case of Market Street Railway, selling at $70 a further 30 points nominal profit or "yield" would accrue between now and maturity which must be added to the ordinary yield.

We will take a simpler case. Suppose you buy a 5% bond at 50, the straight yield is 10% per annum. Eventually, the purchaser will receive 100 for his bond or a "profit" of 50 points on his invest-

ment. If this should happen in one year, obviously, a profit of 50 points on $50 is 100% which together with 10% straight yield makes 110%. If the maturity of the latter bond is in 10 years, this would mean an average of $10 yearly in addition to the ordinary yield. The total would, therefore, amount to 10% flat plus 20% on the amount invested, namely—$50 or 30% in all. However, as the profit is not received year by year, it becomes a mathematical problem to work out the exact rate of return and this problem is worked out in interest table books known as "yields to maturity." For ordinary purposes, it is sufficient to estimate the yearly yield on the outlay, and add to this the possible extra yield by receiving the difference between the market price and par at the end of a certain number of years. Dividing the number of years into the profits, will give you an average figure per annum or further returns on your investment. Of course this calculation is not accurate because you do not receive the profits yearly in advance, but if the bond is paid on maturity, you have to figure the "present worth" according to the ordinary law of arithmetic. The table is very complicated and is worked out in books. If you will make every allowance for the deferred period of payment, you can usually make a good rough calculation in round figures to show what your yields to maturity would amount to.

THE AUTO ACCESSORIES BUSINESS

General Trend

We would like your opinion and advice on the following:—

1. Would you advise selling the business and good will of this Company, at this time? What method would you adopt to negotiate such a sale?

2. Would you advise increasing the capitalization? If so, for what amount? Kind of Issue?

The sentiment towards automobiles and especially automobile accessories, is not one of enthusiasm in the East just now, and although your company seems conservatively capitalized and its business on the up grade, we believe that you would find it very difficult to "sell" your company or the control of it at the present time in Wall street to any advantage. We frankly believe that you will have to continue as you are until the next bull market, when a better opportunity may occur and business be considerably improved by then.

SASKATCHEWAN 5s

A Sound Provincial

Will you please advise me where I can address the Staten Island Beach Land Improvement Co., of New York, relative to direction of stock dividend? Kindly give your opinion of "Prov. of Saskatchewan 6% Gold Bonds" advertised on 3a of the cover of the current number of your Magazine.

The main offices of the Staten Island Beach Land Improvement Co. are at 20 Exchange Place, New York City. By writing to the secretary of the company, you will no doubt be furnished with the desired information.

In regard to the Canadian bonds mentioned, we see no reason to doubt their soundness as they are guaranteed by the Provincial Government, whose credit and standing is above criticism.

OPPORTUNITIES IN CONVERTIBLE BONDS

(*Continued from page 766*)

to the writer's individual preference from a strictly investment standpoint of safety and not from a standpoint of speculative possibilities through the conversion privileges.

In the rail group the bonds are all high class, second grade bonds. None is a mortgage issue, but in each case the credit of the issuing road is good, and there is little danger of the safety of principal. Three of the bonds, Norfolk & Western 6s, Norfolk & Western 4½s, and Atchison 4s, are good illustrations of convertible bonds that have risen above their value as bonds, as evidenced by their yields, which are considerably lower than some gilt-edged first mortgage issues. Both roads, however, are making excellent showings and there is a good possibility for further substantial appreciation in the price of the stocks. In two instances, N. & W. 4½s and Atchison 4s, the price of the stock has passed the conversion level and any further increases will immediately be reflected in the price of the bonds. Of these two roads Norfolk & Western is making an especially good showing, net operating revenue for the seven months to July 31, 1921, amounting to $7,246,913, as against a deficit of $230,250 for the same period of 1920.

The Delaware & Hudson 5s of 1935 appear to offer the best possibilities among all the rails listed. The credit of this road ranks high, and as one of the principal carriers of anthracite coal its traffic is stable and assured. Incorporated in 1823, it has a remarkable dividend record, dividends on the stock having been paid in every year since 1826, with the exception of 1829 to 1831, 1934 to 1838, and 1877 to 1880. The present rate of 9% has been paid continuously since 1907. For the first seven months of this year net operating revenue has amounted to $4,030,609, compared with a deficit of $64,190 over the same period of 1920, and, contrary to most roads, maintenance of way and equipment have shown no stinting from last year. The bonds are legal for savings banks in New Hampshire and Rhode Island. The present yield is good and possibilities for a profit through the convertible feature very encouraging.

The New York Central 6s of 1935 also indicate excellent prospects for enhancement in value through the operation of the conversion privilege. At its present price of 72½ the stock is considerably below the conversion level of 98¼, but the high price of the stock over the past 12 years of 147¾, made in 1909, and a high of 114¼ as recently as 1916, clearly indicate what may happen when conditions return to normal.

Southern Pacific stock has recently had some of the "cream" taken off through the distribution to stockholders of the Pacific Oil Company stock and Chesapeake & Ohio has been obliged to discontinue dividends owing to present conditions. Possibilities for the conversion privilege in Southern Pacific operating in the near future do not seem particularly potent, but Chesapeake & Ohio earnings are beginning to show substantial improvement and a resumption of the dividend might easily carry the price of the stock considerably above the conversion level.

Among the Public Utilities the Consolidated Gas 7s appear especially attractive. The company has come through the past few years of adversity for practically all public utilities with flying colors. It has not found it necessary to omit or reduce the 7% dividend on its stock and now with greatly improved operating conditions, for all utility companies, a return of public confidence, reflected by buying orders in the stock, might easily carry it well above par. Consolidated Gas is a strong company; its behavior over the past few years has been exemplary; and its 7% Notes of 1925 are a sound investment with unusual speculative possibilities.

The American Tel. & Tel. issues are both good and if the 9% dividend is continued on the stock it should be in line for a substantial move. The Detroit Edison is a steady earner and its funded obligations are undoubtedly safe. At present prices the 7s of 1930 yield about 7.60% and, as the stock is within four points of the conversion level, strong speculative possibilities accrue to the bonds, combined with a sound investment value and an extremely attractive yield.

Looking over the Industrials the Mexican Petroleum 8s appeal to the writer very strongly. These bonds, the sole funded debt, are outstanding only in amount of $10,000,000 against which the company's latest balance sheet showed assets of over $75,000,000. Last year earnings ran over 13 times interest requirements, including these bonds, and earnings for the first six months of 1921 were even in excess of 1920. The bonds are additionally safeguarded by the unconditional guarantee of both principal and interest by the Pan-American Petroleum & Transport Company and a Sinking Fund provides for the redemption of all bonds before maturity at 110. Recent developments in the Mexican situation have been favorable to the company and its stock has registered a recovery in market price of over 30 points within the past few weeks. The bonds are convertible, par for par, into Class B stock of the Pan-American Petroleum & Transport Company, which controls Mexican Petroleum through ownership of a majority of the stock. A full analysis of these bonds appeared in an article in the July 9th issue of the MAGAZINE OF WALL STREET, entitled "Switches for Bondholders," which will be found worth while reviewing.

The two Copper issues, found in the table, are also in a rather strong strategic position. Surplus stocks of copper metal are gradually being diminished and most authorities are of the opinion that the copper industry is on the brink of a substantial revival. Should this be the case, copper stocks generally should be in for a very substantial "move" and it will be seen that neither Cerro or Chile are very far below the conversion level. Of the two bonds the Cerro de Pasco 8s are decidedly preferable from an investment standpoint but the high yield and early maturity of the Chile 7s must not be overlooked by those willing to take just the slightest bit of a gamble.

The Atlas Powder 7½s are a new issue

having been brought out within the past few months. The company, however, is one of long standing and substantial earning power. Since the war ended many people are inclined to regard any company embodying the name "Powder" in its title with askance, but in the case of Atlas, while it did do a considerable munitions business during the war, its principal lines consist of commercial explosives. The 7½% Bonds are safe, beyond doubt, and anything like a building boom might have a lively effect on the company's stock.

Amer.-Agri.-Chemical and Va.-Caro. Chemical

The bonds of the two fertilizer companies, are both convertible into the preferred stocks, neither of which is paying dividends at the present time. The unsatisfactory condition in which both of these companies find themselves at the present time is probably temporary, brought about by the sharp declines in the price of farm products, thus reducing the farmers' purchasing power. The recent advance in the price of cotton has done much to improve sentiment among the farmers and it is a known fact that it is poor economy to stint on the enrichment of farm lands. In the past these companies have operated very successfully and it is only a question of time before they get back into their stride again. The Virginia Carolina Chemical 6s are decidedly out of line and it is suggested that they be compared with the 7½s of 1932 of the same company, with which they rank equally.

The International Paper 5s Series A of 1947 (Series B are not convertible) are outstanding in amount of less than $1,000,000. They present a good opportunity but are rather difficult to pick up. The Sinclair 7½s are convertible into 10 shares of 8% preferred and 2½ shares of common for each $1,000 bond. The company is said to be the second largest independent oil company but a shade of uncertainty seems to surround the company and we are inclined to regard the bonds as somewhat speculative.

FOREIGN EXCHANGE OUTLOOK

(*Continued from page* 755)

exchange is an erratic one and fluctuates quite violently with changing conditions in various countries. It is affected by labor costs, labor troubles, production records, buyers' strikes and a thousand and one other incidental factors.

Problems of the Future

There is no economist today who could predict with any degree of accuracy what the future of exchange will be. It seems absolutely certain that after we have recovered from the destruction caused by the war that the countries will have to again return to the gold standard. There are, however, many economists who believe that the purchasing power standard should be improved by more exact data, and made the basis for future international transactions.

Whatever is the system that is established in the future, there can be no question that the countries with depre-

ciated currencies must reorganize their system in such a way as to give such currencies some true value, which may be used as a basis for international transactions. In the case of a country like Germany, this means one of two things, both of which in effect are repudiation. She must either issue new marks, converting the present marks into the new ones, giving, say, one new mark for ten or fifteen old ones; or, she must establish the present mark on a gold basis at about the present international value of the mark. Both of these will be an open confession of her inability to pay at the former value of the mark.

The Future of Sterling

While there is little hope for the German mark, there are, on the other hand, many factors at work that will ultimately put sterling back on its pre-war parity. It is quite safe to say that sterling would be selling higher now were it not for the depression in continental exchanges. England has taken a commanding position in supporting the financial plans of her Allies. Her bankers are the most able in the world and it is certain that they will not permit sterling to remain at a discount in comparison with the American dollar over a long period of years. This does not of course apply to the immediate future of sterling, for it will take a long time to work out of the difficulties that have been entailed by the war.

READER'S ROUND TABLE

(*Continued from page 772*)

different issues even in case of receivership, but Mr. Neumark makes no differentiation in his statement and is too sweeping." It was not the purpose of the article to point out the different degrees of safety between the various issues. I am well aware that such a differentiation exists, but the only point I was trying to drive home was that all securities would suffer to a larger or lesser degree, if receivership should occur.

As a holder of the general mortgage 4% Series A bonds, I can only say to you that you are holding the best security which can be had of St. Paul. These bonds are nearest to property and offer, without doubt, the largest degree of safety, but why hold on to even these bonds when you can buy so many others which are so much better at almost the same price that these bonds are selling at. For example, I would suggest Southern Pacific, Central Pacific collateral trust 4% gold bonds, maturing in 1949, which are now selling at about 70. There you have a bond where there is absolutely nothing to worry about and which gives you even a better yield than the bond you now hold. I should be willing to take the loss you would have to take in selling your bonds at present prices in order to obtain a sound bond of a road which is infinitely in better shape than St. Paul.—ARTHUR S. NEUMARK.

FIVE UTILITY STOCKS I WOULD BUY

(*Continued from page 779*)

placed at 1,034,000. The communities served have a diversity of industrial interests. Besides gas and electricity the company also serves some communities with hot water and steam heating and water. The franchises, under which the Company operates, are satisfactory and a large portion are unlimited as to time. The American Gas and Electric Company is controlled by interests closely allied with the General Electric Company.

El Paso Electric Company

The par of this common stock is $100 and at the present price of $98 the yield is about 10.20%. The Company has paid dividends uninterrupedly since 1903 at the rate of 6% and steadily increasing it from 6% in 1913 until now they pay 10%. The Company's net earnings warrant this increase as is shown by the following:

Balance for Reserves, Replacements, Dividends.

1913	$369,740
1914	414,965
1915	410,461
1916	393,026
1917	417,127
1918	307,629
1919	361,046
1920	490,977

From all appearances the common stock is on the upward trend and a new high record is not without possibilities. The Company owns all the securities of the operating companies through which it does the entire electric lighting, commercial power, street and interurban railway business in and adjacent to El Paso, Texas, and Juarez, Mexico, and owns two toll bridges across the Rio Grande at El Paso. It is estimated that it serves a population of 108,000 in railway transportation and light and power.

The Company in the past two weeks easily disposed of a small issue of 7% Gold Notes maturing in 1925. The issue amounted to $750,000 and was very quick-stock of this company in my opinion is ly absorbed by investors. The common a good buy.

Pacific Gas and Electric Company

The Company as now constituted sells gas and electricity for heating, lighting and power purposes, operates a street railway and furnishes water for territory, including 8 of the 11 largest cities in California. In all, the Company furnishes electricity to 226 towns with a total estimated population of 1,415,231; gas to 56 towns with a population of 1,236,631 and water to 25 towns. The street railway embraces a system in Sacramento covering 44.14 miles of track. The position of the Company is being modified by the vast construction and expansion outlays which began to be made in 1919 and are still continuing. These outlays totaled $25,339,627. Through them the Company is increasing the capacity of its plants from 420,509 horsepower to about 576,000 horsepower. The ultimate effect upon this expansion will, of course, depend upon the demand for the additional power for sale, but thus far, both net and surplus earn-

ings have been showing large gains in spite of the substantiated amounts of new capital tied up in construction work, which has not yet begun to earn money. Table 4 shows the tremendous increase from 1918. Last year the Company earned 5.6% on the common and paid 5% dividends.

Up to 1919 the capitalization was becoming more and more conservative as compared with its production and its earnings. Earnings, figured on either funded debt alone or total capitalization, are still increasing, but the funded debt is now larger than it was in 1919 and 1920 as compared with the quantity of the output of gas and electricity. The common stock in 1919 was tending to become a high-grade investment, but in view of $25,000,000 of new capital issues since June, 1919, this stock in spite of its rapidly growing earning power, seems likely to retain its speculative character for some time.

The price chart, Table 1, shows that it reached its highest point in 1919 when it sold at 75¼. This is twenty-three points over the present price. On Sept. 8 of this year it reached the high for the year by touching 56½. The low point for 1921 was on January 19, when it sold at 46¼. Since this low for the year it has been on the steady upward movement and the writer believes it will reach a high of 70 before the year is over.

Conclusion

Although, as I stated before, there may be many common stocks of public utilities that appear more attractive than those I have just picked out and described, these five companies are representative of corporations who have passed through many periods of hard times and in every instance emerged in a stronger position. Their managements are conservative. Their policies wise. Their expansion consistent.

I know if I bought any of these stocks that I would receive a run for my money and if statistics mean anything a profit would accrue to me as the holder.

TAKING A FLYER

(*Continued from page* 771)

will more than repay itself in one good investment.

Still another source may be found in the booklets and publications issued by the brokerage firms. These, naturally, are more or less biased in favor of the house that puts them out, nevertheless they contain much real information and advice, and by reading half a dozen attentively instead of confining yourself to just one house, you will get the general idea of just how the situation stands.

Possibly the best source outside of these is the public library. There are many good works on finance to be found there, and while some of these are a trifle dry and contain statistics which only the man who is engaged in very large operations would want, there are quite a few that are genuinely interesting. Among these is Mr. Pratt's well-known book, "The Work of Wall Street." It is not dry, nor technical, and it will ground

the reader in the fundamentals of activity in the financial district. Adam Smith's "Wealth of Nations" is one of the few books that have stood the test of time, for it was written over one hundred and fifty years ago, yet much of it is as applicable to our times as to those in which it was written. Barber's "Making Money Make Money" is more or less sensational, and is to be taken with a grain of salt, nevertheless there are many chapters that can be read with great benefit. Andrew Carnegie's Autobiography is one of the most interesting books of the century, and the biographies of our other leading financiers are very illuminative regarding the growth and methods of our giant industries.

The Effect of Education

The general effect of an education in finance is to tone down the "rash in spirit." Too many who start out in the race for riches are not content to creep before they can walk, or run before they fly. The man with a capital of $100 is not content to do less than a $1,000 business. The man with $1,000 wants to reap the profits of $5,000. The man with $5,000 is satisfied only if he can command the forces for which $20,000 is required. The man with $20,000 wants to operate on a $100,000 basis, and the $100,000 speculator yearns to burst through the upper crust and get out into the ranks of millionaires. Instead of carrying "an amount of canvas proportioned to the tonnage of their craft, the mass of those who embark on the treacherous ocean of business crowd on all sail and are ambitious to make the utmost possible number of knots an hour; to all appearances they will reach the haven of wealth in half the time of the slow sailers; but suddenly, and at a moment, from a quarter least expected, a squall springs up and they are swept, in spite of every effort, toward a lee shore where they speedily go to the bottom."

"The successful business man," says Irving T. Bush, in a recent article in *System*, "knows the difference between a *chance* and a *gamble*. * * * Success is the Child of Courage and Reason." As Napoleon put it, "To succeed one must sometimes be bold and sometimes very prudent." In other words, until one is sure of his ability to stand the shifts of the air currents in higher altitudes and meet the sudden emergencies that occur there, it is wise to stay close to the ground, where the gains will represent a fair return on the money investment, and the losses can be held down to the minimum.

RAILROAD PREFERRED STOCKS
(*Continued from page 763*)

and betterments to the road, respectively; and had materials and supplies on hand at the end of Federal control, inventoried at $1,391,180, transferred to the company's account. In return for the above the government was to be released from all claims against it. The preferred stock has paid the following dividends since incorporation, June 29, 1916; 6% in 1918, 4% in 1919, 5½% in 1920, and 3% for the first half of 1921. The stock is now selling around $60 a share, at which price the yield is 10%. It is the opinion of the writer that the investor who is willing take the greater risk involved in the purchase of this stock, as compared with the previously mentioned speculative investment stocks, will make a considerably greater profit. The Western Pacific R. R. is a very young road and it has yet to show what it can really do over an extended period of time and this is the chance the investor must be willing to take. It would certainly seem that the outlook for the preferred stock is very good. There is just one more attractive feature about the purchase of this stock and that is the proposal of the road to declare a stock dividend to present preferred and common stockholders in order to distribute the new assets the company has received through its acquisition of the Denver & Rio Grande R. R. The stock dividend will probably amount to 16 2-3% in new preferred and 16 2-3% in new common, making a total of 33 1-3%. The new preferred stock received would mark down the cost of the stock to a little over $43 a share. The present dividend rate will be maintained, if earnings warrant, which would mean a return of almost 14% on the investment.

THE NEAREST THING TO STANDARD OIL
(*Continued from page 773*)

oil sands dip from a minimum of three degrees in the Kern River field to a maximum of 45 degrees in Coalinga field. On top of Buena Vista and Elk Hills anticlines the oil sands are almost flat. Gravity ranges from 10 to 50 degrees Baume, major part 18 to 30 Baume, next largest portion 14 to 18 degrees. During 1920 Pacific Oil, or rather the companies which Pacific Oil now owns exclusive of Associated Oil, produces an average of better than 30,000 barrels a day. Production for the past six years has been as follows: 1920, 11,170,000 bbl.; 1919, 9,474,000 bbl.; 1918, 9,200,000; 1917, 9,390,000; 1916, 9,650,000 barrels and 1915 10,160000 barrels. The effect of removal of restriction on drilling is apparent from 1920 estimate.

Storage and Cost of Field Improvements

The company has storage facilities which consist of steel tankage and concrete reservoirs with capacities for 4,042,000 barrels of oil. During the five years ending 1919, Southern Pacific's expenditures for field improvements made on this property, including well drilling and development, aggregated $12,720,000, of which $3,598,000 were drilling expense charges to operations in 1918 and 1919. The bulk of these expenditures for field improvement were for drilling wells. The estimated total for all expenditures for field improvements for 1920 is $4,250,000, of which $2,415,000 are drilling expenses.

First Income Account

As was stated above, it was estimated early in the year that Pacific Oil would pay $3.00 per annum dividend. When the first income account statement was rendered by the new company for its first six months of operation up to June 30, 1921, it was seen that the company earned at the rate of $5.87 a share. Pacific Oil's

earnings before Federal taxes and including only one quarterly dividend of Associated Oil dividend in the six months amounted to $2.85 a share on the 3,500,000 shares of stock outstanding. A depreciation and depletion reserve of $1,551,347 was charged out.

If Pacific Oil earns at the same rate in the latter half of the year, earnings for 1921, including the entire annual dividend of Associated Oil Company, of which Pacific Oil's share is $1,204,140, will be $5.87 a share after deducting federal taxes. Earnings in the second quarter bore a similarity to those of the first. The table gives this comparison.

It will be noted that gross was affected considerably by the reduction of 25c a barrel in the price of California oil near the beginning of the second quarter. Operating expenses were cut down. The Associated Oil dividend payable April 25 further augmented earnings so that the net result was practically the same as in the first quarter. Deduction of $1,551,347 for depletion and depreciation in the first six months is only a moderate write-off. The initial dividend was as already stated $1.50, indicating that the stock is to be placed on a $3 basis. An estimate of $5.87 a share for the year makes it appear probable that the rate will not be over $3.00, for federal taxes have still to be charged out.

Future Outlook

Oil and mining stocks usually sell at their high levels from 6 months to a year after their introduction to trading. Pacific Oil was introduced at a time when market conditions were anything but favorable for a substantial rise. It has not yet come in for its market boom.

This company can be regarded as one of the most reliable oil organizations in the country. Of course, this does not mean that it is not subject to the same adverse conditions that affect other oil companies, but the writer believes that an investment in this stock for a long pull at the present price is justified.

Northwestern Receives $6,500,000

Payment of $6,500,000 to the Chicago & Northwestern Railroad was announced by the Railroad Administration in full settlement of the claims of that company against the Government, growing out of the period of Federal railway operations.

Other payments made in settlement of pending claims were $1,200,000 to the Chicago, St. Paul, Minneapolis & Omaha Railroad; $900,000 to the Old Dominion Steamship Company; $22,500 to the Wrightsville & Tennille Railroad, and $3,175 to the Louisville & Wadley Railroad.

Authority was granted by the Interstate Commerce Commission today to the Georgia Railroad and Banking Company to issue, by selling at not less than 95 per cent of par and accrued interest, $1,500,000 of debenture bonds. The proceeds of the issue would be used to pay off and retire a like amount of plain debentures now outstanding against the company.

War Finance Corporation

The War Finance Corporation made public a circular giving full information to banks, bankers and trust companies applying for advances under Section 24 of the War Finance Corporation Act. The circular, known as Circular No. 2, is being mailed today to farmers' organizations and every National and State bank and every financial institution in the agricultural sections of the country. It sets forth the procedure and general rules under which loans will be considered by the corporation under the recently enacted legislation authorizing loans to banks, bankers and trust companies which have made advances for agricultural or livestock purposes.

To facilitate the handling of the advances under this new section of the act, and to afford the necessary assistance as quickly as possible, the corporation has created committees in the agricultural and livestock sections of the country whose chief duties will be to consider applications from banks, bankers and trust companies in the first instance and pass upon the collateral offered. These applications will be forwarded to the corporation at Washington with the recommendations of the committees. As loans to banks under this section will represent the discount of agricultural and livestock paper, one of the chief functions of the committees will be to consider the adequacy of the security offered. Experienced bankers and business men qualified to pass upon such collateral will compose the committees. The members of the committees have been selected and announcement will be made when acceptances of appointments have been received. They will serve without compensation for their services.

Forms of applications and other necessary documents have been drafted by the corporation and will be obtainable from the corporation's offices in Washington, the Federal Reserve banks or branch banks and the several agricultural loan committees. Supplies of such forms will be promptly sent to these banks and committees.

An "agricultural purpose" upon which loans under Section 24 may be based is described in the circular as "any purpose connected with the growing, harvesting, preparation for market, and marketing of agricultural products, or the breeding, raising, fattening and marketing of livestock." Loans may be made to banks which have made advances for these purposes or which may have discounted or rediscounted agricultural paper. The amount of any advance made by the corporation is limited to the aggregate of all outstanding advances made by the borrower for agricultural purposes.

The corporation's authority to make these advances extends until July 1, 1922. Advances will mature not later than one year and loans cannot be extended beyond three years from the original date of the advance. The circular authorizes the payment of all or any part of a loan made by the corporation in advance of maturity.

The rate of interest will be determined from time to time by the board of directors of the corporation. Under the law a bank obtaining advances on the basis of loans made by it for agricultural purposes may not charge upon such loans a rate of interest greater than 2 per cent. in excess of the rate of interest charged by the War Finance Corporation. The circular warns applicants that this provision of the law should not be construed to authorize any bank to charge a rate of interest in excess of the rate permitted by State law.

Advances may be made against the note or acceptance of the borrower or other negotiable instrument, making him primarily and unconditionally liable for the repayment of the advance. Applications of the borrower must be adequately secured by endorsement, guaranty, pledge, or otherwise.

Part 2 of the circular gives full information to banks, bankers and trust companies desiring to sell to the War Finance Corporation notes or other instruments of indebtedness secured by agricultural products. The corporation is authorized by the law to purchase such obligations "in exceptional cases." The circular states that the board will consider such purchases only where it is affirmatively shown that the applicant is under some statutory or other legal disability to apply for and obtain an advance under the first paragraph of Section 24, which authorizes loans to banks which have made advances for agricultural purposes. The limit of maturity of such paper is one year and the maturity may not be extended.

Applications for the sale of such agricultural paper to the War Finance Corporation will be handled direct by the corporation at Washington and not through the agricultural loan committees.

Anent Fordney Bill

Leading Merchants' Opinions

Marshall Field & Co. have sent to 30,000 retail merchants a circular letter pointing out dangers in the "American valuation" plan as embraced in the Fordney tariff bill. The firm asserts that the plan will erect a tariff wall against business with foreign nations and become a barrier to the return of prosperity.

The letter says in part: "The most important work before Congress is to enact legislation which will be of the utmost possible help in reviving business and returning prosperity to this country." It is an intricate problem, interwoven with complexities.

"Facts are facts, and every business man who manufactures or sells merchandise knows that the public in its present attitude will not tolerate increasing prices. The so-called 'buyers' strike' gave conclusive evidence that prices can be only on a level that the public is able or willing to pay.

"Furthermore, under the American valuation plan, the merchant who must buy his wares six months to a year or more in advance can have no idea of costs, for he cannot know until the goods are delivered what the American wholesale selling price will be and, hence, what the tariff will be. The seller who now procures his samples and sends salesmen out to take orders in advance of manufacture and delivery will be unable to do business on

such a basis. At one fell swoop Congress proposes to throw the experience and business methods gained in over one hundred years in the discard and substitute for it a questionable plan which leading merchants declare is impossible and ruinous to our import business.

"America is primarily an agricultural nation. Our farmers and crops lie at the basis of our prosperity. Our manufacturing industries seem great, but are also second in importance to our great stores of raw materials, such as iron, copper, zinc, coal and lumber. Of farm crops and raw material we have a great surplus —our only markets for this surplus are abroad.

"When foreign markets are shut to us we have an oversupply and lax demand. We face that condition today and our farmers now hold a big percentage of the 1920 crop with no market and a big, new crop coming on.

"An outlet for our surplus crops will go far toward reviving business in America. Enable Europe and the rest of the world to buy from us and the great farm market, now stagnant, will reawaken. When the farmer buys, our wheels of industry whirl and business is good.

"But other nations cannot buy except with merchandise. They have no gold. They are so impoverished through the war that their only liquid assets are the goods which they make. Only by our buying the products of foreign nations can we give them buying power to absorb our surplus products. When we import then we can export; when we export we convert the crops of the farmer into cash; when the farmer has cash he buys; when the farmer buys we have prosperity. The 'American valuation' plan will block the first step in returning prosperity. America believes in a protective tariff, because we treasure our American standards of living. We do not want our industries paralyzed by an inundation of foreign goods.

"The American people want and expect a fair protective tariff to be passed by Congress, enabling all industries to pay a fair wage commensurate with our standards of living. But there is as great danger in a tariff too high as in a tariff too low. Congress must find the happy 'in between' which cannot be reached with the 'American valuation' plan."

Government Interference

Should the government continue to interfere in our banking business, except for the enforcement of law and the protection of depositors, it inevitably will make the same record of inefficiency and failure as in designing airplanes, in building and operating ships, and in operating railroads. Hampered by red tape, banks will not be able to give the public good service. Strict supervision, criticism and correction should be maintained, but the government should not pass the line that separates these proper functions from actual management. Credit, without which this country never could have developed and outstripped all others, cannot thrive shackled by politics and bureaucracy.—*E. C. McDougal in Journal of the American Bankers Association.*

Trade of England, America and Japan Compared

The Department of Agriculture and Commerce of the Japanese Government has announced the foreign trade results of Great Britain, the United States and Japan for the first half of 1921.

England.—According to the report, the British foreign trade for the period amounted to £368,654,000 in exports and £571,762,000 in imports, making a total of £940,416,000, showing an excess of £203,108,000 in imports.

Compared with the corresponding period of last year, a decrease of 44 per cent in imports, 42 per cent in exports, 43 per cent in total, and 51 per cent in the excess in imports was observed, as seen by the following:

	First half 1921 £	First half 1920 £	Comparison
Imports	571,762,000	1,034,638,000	562,876,000
Exports	368,654,000	637,466,000	268,812,000
Total	940,416,000	1,672,104,000	731,688,000
Excess in imports	203,108,000	397,172,000	194,064,000

British foreign trade was on a gradual decline since the latter half of last year, and last April both the exports and imports decreased to half the amount of the corresponding period of last year.

America.—America's foreign trade for the same period totaled $3,967,221,000, of which imports were $1,431,114,000 and exports $2,536,107,000, showing an excess of $1,104,993,000 in exports. Compared with the corresponding period of last year, a decrease of 51 per cent in imports, 40 per cent in exports, 45 per cent in total, and 15 per cent in the excess in exports was observed:

Particulars are:

	First half 1921 $	First half 1920 $	Comparison
Imports	1,431,114,000	2,944,496,000	1,513,382,000
Exports	2,536,107,000	4,245,983,000	1,709,875,000
Total	3,967,221,000	7,190,479,000	3,223,257,000
Excess in exports	1,104,993,000	1,301,487,000	196,493,000

Japan.—Japan's foreign trade for the same period showed a decrease of 49 per cent in imports, 50 per cent in exports, 50 per cent in total, and 53 per cent in the excess in imports.

Details of exports and imports are as follows:

	First half 1921 Yen	First half 1920 Yen	Comparison
Exports	574,817,000	1,138,275,000	563,458,000
Imports	797,818,000	1,617,747,000	817,929,000
Total	1,372,635,000	2,756,022,000	1,381,387,000
Excess in imports	223,001,000	479,472,000	254,471,000

The ratio of decrease for the three countries in round numbers is:

	Great Britain	United States	Japan
Imports	44%	51%	49%
Exports	42%	40%	50%
Total	43%	45%	50%
Excess	51%	15%	53%

European Business Conditions

Authoritative opinion on the overseas situation has been forthcoming for the last few days from interviews with Mr. P. C. Hale, First Vice President of the

Bank of Italy, San Francisco, who has just returned from a seven months' exhaustive study of Old World financial, industrial and economic progress. Mr. Hale says:

"Critical, indeed, is the economic and industrial status of Europe, but conditions are much better in every way than I expected. Under careful supervision the industries of England, France, Italy, Germany, Austria, Turkey and other countries I visited may work out their vexatious economic problems, but the task will take years. As I see it, the United States may not expect a payment of her huge war credit for five years, at the very least.

"From careful studies of conditions, I am convinced that it will be all of five years before industrial Europe regains normal production. England, France and Italy are very much stronger in an economic way than they were a year ago.

"In my judgment Germany will be able to pay her indemnities to the Allies if she is allowed to function on the present scale. Germany's chief danger right now is from the tremendous issues of fiat money.

"Italy is improving in an economic way after an experience with extreme socialists who took over 600 factories in the Milan section alone and made failures of them. The reflex from the socialists' failure was understood at once by the Italian laborer, and the reaction was such that Italy today is improving very satisfactorily in an industrial manner.

"My study of industrial Enrope and its financial condition took me into England, France, Italy, Germany, Austria, Turkey, Hungary, Czechoslovakia, Jugoslavia and Scotland. Of all these countries England, in my judgment, is in the poorest industrial shape, a condition that is due to disastrous labor troubles."

36,617,584 Spindles in U. S. A.

According to the Census Bureau there were 36,617,584 cotton spindles in the United States at the beginning of the cotton year, August 1. Of that number 33,059,211 spindles were operated at some time during the month, the aggregate number of spindle hours being 7,319,916,931.

The regular hours of operation per week in the cotton mills, the report said, vary from forty-eight in a number of States to as high as sixty in others. Weighting the number of spindles with the prevailing hours for the several States, it is found that the average work day for the entire country is practically 8.6 hours. Based on an activity of twenty-seven days for 8.6 hours per day, the average number of spindles operated for July was 31,524,190.

Massachusetts leads with 11,810,563 spindles and 1,998,565,497 spindle hours. North Carolina is second, with 5,228,266 spindles and 1,200,591,162 spindle hours. South Carolina is third with 5,013,538 spindles and 1,216,966,894 spindle hours.

The number of spindles and spindle hours of other States include:

Connecticut, 1,388,948 and 246,959,192; Maine, 1,126,452 and 238,170,510; New Hampshire, 1,457,428 and 272,044,896; New Jersey, 424,145 and 57,877,065; New York, 1,017,163 and 195,261,105; Pennsylvania, 268,878 and 33,176,080 and Rhode Island, 2,805,538 and 499,229,459.

Speed Increases Cost of Railroading

Speed increases the cost of railroad hauling in a striking manner says the *Railway Age*, current issue. In the first place the train load must be greatly reduced if high-speed is required for hauling. As a locomotive has a horse-power limit, depending upon its boiler capacity, it follows that at twice the speed, only one-half the tractive effort will be available; at three times the speed only one-third the tractive effort approximately. The coal burned per ton mile may not vary greatly, but as the crew is paid by the mile, the costs per ton mile mount rapidly, being roughly from 1½ to 2 times as much at 30 miles per hour as at 15 miles. The exact amounts depend on the grade, cost of coal and supplies, car repairs and wages, etc., but they can be definitely determined in any case. This demonstrates the expensive nature of handling live stock and when to this is added the possible depreciation of the load if the cattle are not delivered in time for the market the suggestion of an operating officer that his competitors should be allowed to take the stock business, is readily understood. Passenger traffic is even more expensive. The 18-hour trains between New York and Chicago were so notoriously costly to operate that for several years they have been abandoned. It has been demonstrated that a speed of about 15 miles per hour is the most economical for ordinary freight trains, and such commodities as coal, ore, lumber, etc., cost less to haul per ton on account of speed alone than fast freights, such as perishable fruits and live stock. If the speed is arranged to suit the goods, the most economical transportation results—in any case the cost of the speed factor—may be determined by careful study, but it requires time and patience. High speed trains, either passenger or freight cause delays and therefore expense to other trains which must give them safe clearance.

ANALYSIS OF RAILROAD EARNINGS FOR FIRST 7 MONTHS OF 1921

The following table is compiled on the assumption that the first seven months represent 52.5% of the traffic year, as they did in the test period:

Road	Net Oper. Def.	% Charges Earned	$ Per Sh. on Pfd.	$ Per Sh. on Com.
Atchison	......	....	....	$14.05
Atlantic Coast Line	......	....	....	3.10
Baltimore & Ohio	......	93%	....	....
Canadian Pacific	......	....	....	9.65
Chesapeake & Ohio	......	....	....	6.40
Chicago & E. Ill.	$105,186	....	....	....
Chicago Great Western	......	66	....	....
Chicago, Mil. & St. Paul	1,794,056	....	....	....
Chicago North Western	1,611,090	....	....	....
Chicago, R. I. & Pacific	......	....	(g) 1.55	....
Cleve., Cin., Chic. & St. L.	......	97	....	....
Colorado & Southern	......	....	....	9.00
Delaware & Hudson	......	....	....	11.06
Delaware, Lack. & Western	......	....	....	(a) 11.25
Erie	......	5	....	....
Great Northern	538,012	....	....	....
Illinois Central	......	....	....	14.25
Kansas City So.	......	....	....	5.40
Lake Erie & Western	261,951	....	....	....
Lehigh Valley	......	3	....	....
Louisville & Nashville	1,719,844	....	....	....
Minneapolis & St. Louis	813,207	....	....	....
Missouri Pacific	......	58	....	....
New York Central	......	....	....	3.00
N. Y., Chicago & St. Louis	......	....	....	(b) 9.30
N. Y., New Haven & Hartford	4,251,487	....	....	....
N. Y., Ontario & Western	......	....	....	.50
Norfolk & Western	......	....	....	5.00
Northern Pacific	860,776	....	....	....
Pennsylvania	......	100	....	....
Pere Marquette	......	....	....	.50
St. Louis, San Francisco	......	....	....	5.05
St. Louis Southwestern	......	....	....	2.50
Seaboard Air Line	......	19	....	....
Southern Pacific	......	....	....	(c) 4.80
Southern Railway	......	47	....	....
Texas & Pacific	......	(d) 50	....	....
Union Pacific	......	....	....	7.50
Wabash	......	57	....	....
Western Maryland	......	....	(h) 4.00	....
Western Pacific	......	(e) 61	....	....
Wheeling & Lake Erie	......	....	(f) 1.19	....

(a) $50 par value. (b) After 5% on the common stock, all classes of stock share equally. (c) Without oil income and after capital adjustments. (d) Earnings are at the annual rate of 50% of interest charges of the 5% income mortgage bonds, after all other interest charges. (e) Including Denver & Rio Grande and after proposed adjustments. (f) On the 7% prior preference stock. (g) On the 6% preferred stock. (h) On the 4% 2nd preferred stock.

Los Angeles Merger

Formal announcement is made of the completion of agreements for the merger of the Security Trust and Savings Bank and the Guaranty Trust and Savings Bank of Los Angeles and the Long Beach Trust and Savings Bank of Long Beach, California. The combined resources of the merged institutions will aggregate $148,000,000; the combined deposits $138,000,000 and the capital and surplus $11,500,000. Security Trust and Savings Bank will be the name of the merged institution. Joseph F. Sartori, for 30 years president of the Security Bank will be president and active manager. Maurice S. Hellman, vice-president of the Security, will be vice-president and chairman of the board. Dr. M. N. Avery, president of the Guaranty Bank, will be vice-president of the Security and chairman of the Executive Committee. The present main bank of the Guaranty at Spring and 7th streets, will be called the Guaranty office, and will be in vice-president Avery's charge. P. E. Hatch, vice-president of the Long Beach Bank, will be vice-president of Security and manager of the Long Beach branch. The personnel and policies of all the banks and branches will not be disturbed. The various officers taking corresponding rank in the Security Bank. The principal offices will be at the present main Security Bank, 5th and Spring streets. The Security Bank, with recources of more than $96,000,000, has been for many years the largest banking institution in the Southwest, a complete departmental bank, savings, commercial and trust. The Guaranty Bank, similarly complete in its services, shows more than $42,000,000 resources. The Long Beach Trust and Savings, also departmental, is the oldest and largest bank in Long Beach with nearly $10,000,000 of resources, having recently absorbed the National Bank of Long Beach. Each of the banks has several branches, so the new institution with eleven branches, will cover Los Angeles, Hollywood, Pasadena, Long Beach and Huntington Beach. With the exception of the last named branch, the new bank will be entirely within Los Angeles County, and so is entitled to rank as the largest financial institution serving one locality west of Chicago.

Bankers See Better Business

John J. Mitchell, returning to Chicago from Washington, where he attended the quarterly meeting of Federal Advisory Council, says: "Feeling of council is that business tide has definitely and lastingly turned for better. Southern and Northwestern members report important improvement since advance in prices of cotton and wheat.

"Consensus in Washington is that something must be done looking toward extending credits to Europe, particularly Germany. British are much ahead of us in this respect.

"There is much disturbance throughout United States regarding American tariff valuation plan. We cannot afford to erect high tariff wall at this time. Tariff is scheduled to be taken up by Congress directly after enactment of tax legislation."

The Rent Problem

The rent situation gives great concern to unbiased observers of conditions. There is little question that the present high levels of rents, both for apartments and business quarters, is inflicting considerable hardship on the interests affected. The burden falls particularly on the small salaried worker and laborer. In cities such as New York, Chicago, Philadelphia and other large centers throughout the United States rents have been advanced above the ability of the average tenants to make payment. The result has been to force measures of economy along a direction which is not desirable owing to the fact that wage and salary reductions have brought income down to a point where it is not possible to pay the rents demanded and at the same time pay for other necessities, not to speak of comforts or luxuries.

Many families are denying themselves their full food requirements, especially where there are a number of children to feed. Or in lieu of this they are economizing by using their old clothes instead of buying much-needed new ones. These are several instances of the situation. Obviously it is not a healthy condition. The business interests are likewise affected by this situation inasmuch as it reduces the purchasing power which would have otherwise gone into the consumption of their products.

Probably the average small salaried worker and laborer is spending, on the average, from 35 to 40% of his salary or wages (if there is any) for the purpose of keeping a roof above his family's head. This is an excessive amount, and the ultimate result is to lower the standard of living. Unquestionably, this is a situation which requires expert handling if the present temper of the working classes is not to assume an ugly character.

Railroad Relief Plans

War Finance Corporation May Issue Debentures Against Equipment Trusts

Chicago bankers understand that the War Finance Corporation is contemplating an issue of its debentures, secured by deposit of the remaining railroad equipment trust certificates in the hands of the government, instead of continuing the sale of the equipment trusts themselves to bankers. It is likely that some further sales of a limited amount of the equipment trusts will be made, however, before the larger scheme is put into operation. For the latter the passage of the Winslow bill by the Senate is necessary, as there is no present authority of law for the Finance Corporation to engage in transactions in railroad securities.

Such a debenture issue by the corporation would be in line with recommendations made by Chicago bankers to Eugene Meyer, Jr., managing director of the Finance Corporation, during his recent visit here. The exact amount of the equipment trust certificates in the hands of the Railroad Administration is $304,362,000, according to a recent official statement, and after deducting the $7,500,000 just sold to Kuhn, Loeb & Co.

Armament and Taxation

The forthcoming Armament conference in Washington is looked upon as a possible solution of one of the gravest problems facing not only this country but every country supporting military or naval organizations in the world. It is sincerely hoped—although scepticism is expressed in many quarters—that this early assembling of the world's leading statesmen will result in at least the beginning of world-wide disarmament.

Aside from the purely humanitarian issue at stake—and this is probably, after all, the chiefest issue—the disarmament of the nations, or even their partial disarmament, will tend to lower the rate of world taxation and consequently remove at least part of the burden now pressing down on the shoulders of humanity. When one considers the immense proportion of national revenue—not only here but abroad—that goes into the building up and maintenance of military and naval establishments—it becomes apparent that the forthcoming Conference has possibilities of affecting the entire financial structure of the world in a favorable sense.

In this country it is estimated that approximately 93% of the national revenue goes toward payment of bills on old or recent wars, including pensions, etc., and for the maintenance of the present military and naval organizations. Only about 7% goes toward what may be considered purely peace purposes, and not even the full part of that amount is used in a constructive manner.

It is essential that taxation rates be lowered here and abroad and this can only be done through reduction of armament expenditures, with the consequent reduction in other items of military support. The world can no longer support the financial incubus which it has created and it is high time it were removed.

Expects Rail Bill to Pass

Railroad refunding bill will pass when Congress meets to consider the measure, according to Thomas De Witt Cuyler, chairman of the Association of Railway Executives. Mr. Cuyler believes that argument in favor of the bill will more than offset the opposition that arose before Congress adjourned.

Discussing earnings, Mr. Cuyler says August returns will be good, but that not so much can be expected of September or October. Necessity for making up maintenance that has been deferred, he declares, will bring expense charges up in those two months because most of the work that has been deferred cannot be put off any longer. Mr. Cuyler makes no estimate as to whether August net will exceed the July figure of $69,000,000.

Canadian Paper Exports Pick Up

Canadian pulp and paper exports for August, according to Canadian Pulp & Paper Association, totaled $9,395,391, a decline of $8,863,336 as compared with August, 1920, but an increase of $2,628,835 over July, 1921. They were the highest for any month of the fiscal year.

The Philippines

The total imports of the Philippine Islands from January to June, of the current year, amounted to $70,022,961, compared to $58,646,580 for the corresponding period last year, according to the report of the insular collector of customs.

Iron and steel and their manufactures were imported to the value of $13,921,033 as against $8,036,038 for the same period in 1920.

Cotton cloth imports totalled $7,320,596—a decrease of $1,504,008 from the first six months' record of last year. Imports of cotton and cotton manufactures were valued at $3,518,706—$114,820 less than the figures of the first semester of last year.

Automobiles and parts of, including tires, were imported to the tune of $3,860,383 as against $2,825,427 last year.

Illuminating oil imports totalled $2,308,043 as against $1,831,383 last year.

Paper and paper manufactures registered a total of $1,892,610 as against $1,099,486, last year.

Meat products imports totalled $1,723,437 as against $1,313,895 last year.

The total trade with the United States during the period was $72,179,061—of of which $45,986,399 represented the imports from, and $26,192,662 the exports to the United States.

Japan comes second with $9,328,606 worth of total trade with the Islands, China third with $5,757,743, and the United Kingdom fourth with $4,902,423.

A total of 444 vessels, net tonnage 1,304,166, entered, and 449, net tonnage 1,321,672, cleared, in Philippine ports of entry during the same period. During the first six months of 1920, 467 vessels, net tonnage 1,270,397, entered, and 461, net tonnage 1,219,236, cleared in insular ports.

British bottoms had a preponderance in both number and tonnage compared with all other vessels which participated in Philippine foreign commerce during the period. There were 177 British steamers, net tonnage 481,626, which entered, and 177, net tonnage 478,720, which cleared, in insular ports during the period. American vessels registered 21 entrances, net tonnage 382,238, and 91 clearances, net tonnage 382,071, while Japanese vessels registered 79 entrances, net tonnage 280,737, and 82 clearances, net tonnage 295,189.

From January to June, this year, according to the Bureau of Customs, 15,432 persons emigrated from the Philippine Islands. Of this number, 2,065 went to the United States, 3,841 Filipinos to Hawaii and the United States, 7,943 Chinese went back to China, and the rest of the number to other parts of the world, including Japan, England, Spain, Russia, and the East Indies. There were 252 Portuguese, Scandinavians, French, Germans and Italians who left.

The total number of those who entered the Islands was 13,849. There were 1,646 Americans of whom 276 were professionals, 133 merchants, and 142 manufacturers. One hundred and four English subjects with professions were also among the number that came. There were 127 professional Filipinos who returned.

The New-Book Letter

THE FUNDAMENTALS OF ACCOUNTING — by William Morse Cole.

This is a book for the student or business man who wants to understand the principles on which all accounting is based. While everyone cannot be an accountant, it is essential that every executive, every business man, should know enough of accounting to be able to understand the reports of his own business. While the book deals with fundamentals, it is not superficial. It does not avoid a matter because it is abstract or difficult, but explains every detail very carefully and very thoroughly.

The book has a great many illustrations, specimen statements, etc., and, in order to give concreteness to principles, appended to each chapter are a series of questions and problems with which the reader may test his ability to apply these principles.

Price $3.75, postpaid.

BANKERS' CREDITS, and all that appertains to them in their practical, legal and everyday aspects—by William F. Spalding.

Deals with the subject of Bankers' Credits in a simple and practical way. It fills a need which has been felt for quite some time, and particularly since the war, by both bankers and those engaged in foreign trade. The book is well-illustrated, concisely written, and care has been taken not only to explain the many and varied forms of bankers' credits in existence, but also to consider the cases that have come before the courts from time to time.

The author is an Englishman, a Fellow of the Royal Economic Society, Certified Associate of the Institute of Bankers, London, and the writer of several other books on finance and on foreign exchange. Price $3.65, postpaid.

AMERICA'S POWER RESOURCES —by Chester G. Gilbert and Joseph E. Pogue.

Of late years the frightful waste in the development and use of our natural resources has been commanding more and more attention from thinking men and women in all parts of the country. It is estimated that, in this country alone, the work accomplished with the aid of water, coal, oil and gas is equivalent to that of 3,000,000,000 slaves. While the need for this work is ever increasing, the very resources which make it possible are becoming scarcer, and in this book, the authors, two international experts on this subject, endeavor to put before the public in clear, untechnical language, the way in which these wastes occur and the means of preventing them.

The book is very readable, interestingly written, and illustrated with numerous charts, diagrams and photographs. Price $2,70, postpaid.

Securities and Commodities Analyzed in This Issue

The subjoined table presents a list of the securities and commodities analyzed in the current (October 1st) issue of the Magazine of Wall Street.

Railroads

Public Utilities

Commodities

Petroleum

DIVIDENDS

DRIVER-HARRIS COMPANY
HARRISON, N. J.
NOTICE OF QUARTERLY DIVIDEND
PREFERRED STOCK DIVIDEND NO. 36

The Board of Directors, at a meeting held on September 16, 1921, declared the regular quarterly dividend of one and three-quarters per cent. (1¾%) on the outstanding preferred stock, for the quarter ending September 30, 1921, payable on October 1, 1921, to stockholders of record at the close of business on September 20, 1921. Transfer books will close from September 20, 1921, to October 1, 1921. Checks will be mailed.

P. E. REEVES,
Treasurer.

PACIFIC GAS AND ELECTRIC CO.
COMMON STOCK DIVIDEND NO. 23.

The regular quarterly dividend of $1.25 per share upon the Common Capital Stock of this Company will be paid on October 15, 1921, to shareholders of record at close of business September 30, 1921. The transfer books will not be closed and checks will be mailed from the office of the company in time to reach stockholders on the date they are payable.

A. F. HOCKENBEAMER,
Vice-President and Treasurer.

San Francisco, California.

BAYUK BROS., INCORPORATED.

Philadelphia, Pa.,
Sept. 30, 1921.

Quarterly dividend of 2% on the First and Second Preferred stocks of this corporation has been declared, payable on October 15, 1921, to the stockholders of record September 30, 1921. Checks will be mailed.

HARVEY L. HIRST, Secretary.

KEEP POSTED

The books, booklets, pamphlets, circulars, special letters, etc., listed below have been prepared with the utmost care by houses of the highest standing.

They will be mailed on request direct from the issuing firm to the readers of THE MAGAZINE OF WALL STREET FREE OF CHARGE.

We advise our readers to freely take advantage of this service, which will keep them in immediate touch with what is going on in Wall Street, without any expense or obligation. It is a "Specialized Service for Clients."

Advertising Dept.

MAGAZINE OF WALL STREET, 42 Broadway, New York City

"ESSAY ON EXECUTIVE EFFICIENCY"

Successful business executives are agreed that an interior telephone is an absolute necessity in organizations where there are two or more departments between which there is frequent communication.

The "Essay on Executive Efficiency" analyzes the close relationship that exists between maximum office efficiency and dependable intercommunication. A copy will be sent gratis to executives who request same on their business letterhead. *(Dictograph Products Co., 220 W. 42nd St., New York City.)*

PARTIAL PAYMENTS

An interesting booklet has been prepared by an old-established Stock Exchange firm, which explains in detail how the small investor can take advantage of present low prices in securities by making moderate initial payments and small monthly payments thereafter. (137)

THE THRIFT ROAD TO INDEPENDENCE

A book explaining the partial payment plan. (148)

THE FINANCIAL DIGEST

A progressive review of business and financial conditions with definite investment recommendations. (161)

THE COPPER STOCKS

A series of letters comprehensively analyzing the copper stocks. (150)

CANADIAN MOTORS

An interesting descriptive circular, which discusses the business and status of one of the largest Canadian motor manufacturers, is now ready for distribution to investors. (141)

YOUR FIRST STEP IN THE STOCK MARKET

A handy pocket booklet showing how to open an account, to trade on account, and giving the collateral value of securities and showing the advantages of the Partial Payment Plan for the beginner. (153)

MONTHLY RAILROAD BULLETIN

Gives monthly gross and net earnings of all the railroads, tabulated in simple, concise form. It gives other information and statistics of importance to investors. (53)

GUARANTEED FIRST MORTGAGES ON NEW YORK CITY REAL ESTATE

A beautifully illustrated booklet addressed to the careful investor, containing a colored map showing the transportation system of Greater New York. (133)

TRACING INDUSTRIAL CORPORATION PROFITS, 1914-1920

And amplified analysis of fourteen representative companies. (156)

CONVERTIBLE BONDS

A list of active convertible bonds of interest to the investor wishing to combine an element of speculation with investment. (157)

WHAT A NEW MACHINE IS DOING

An interesting circular giving the history of a company manufacturing a machine that has revolutionized an industry. This circular gives record of earnings of this company, demand for its product and other data. A strong similarity exists in the prosperity of the company manufacturing this machine, and the growth of other companies that have gained world-wide renown and have made investors prosperous. (159)

AN 8% SECURITY AND THE INDUSTRY BEHIND IT

A nicely illustrated booklet describing a First Mortgage Bond of a company whose earnings for the past seventeen years have averaged over four and one-half times the maximum bond interest requirements. (162)

SYSTEMATIC SAVING AND INVESTING—A PARTIAL PAYMENT PLAN

This folder describes an easy way to accumulate for the small investor. (163)

THE BUSINESS OUTLOOK

Written by a New York Stock Exchange firm. This folder will prove of great interest to the investor. (164)

BUILD AN INCOME

A savings investment plan which will help the small investor to build an income. This folder is issued by an old established bond firm in Chicago. (165)

MEXICAN INTERNAL LOANS

An up-to-date circular just issued by a firm that specializes in Foreign Securities. (166)